
Measuring Stability and Security in Iraq

**November 2006
Report to Congress
In accordance with the
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(Section 9010, Public Law 109-289)**

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Table of Contents

Executive Summary	1
1. Stability and Security in Iraq	5
1.1 Political Stability.....	5
1.2 Economic Activity	11
1.3 The Security Environment	17
1.4 Transferring Security Responsibility	27
2. Iraqi Security Forces Training and Performance.....	31
2.1 Assessed Capabilities.....	31
2.2 Ministry of Interior	32
2.3 Ministry of Defense	41

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Executive Summary

This report to Congress, Measuring Stability and Security in Iraq, is submitted pursuant to Section 9010 of the Department of Defense Appropriations Act 2007, Public Law 109-289.¹ The report includes specific performance indicators and measures of progress toward political, economic, and security stability in Iraq, as directed in that legislation. This is the sixth in a series of reports on this subject. The most recent report was submitted in August 2006. The report complements other reports and information about Iraq provided to Congress, and is not intended as a single source of all information about the combined efforts or the future strategy of the United States, its Coalition partners, or Iraq.

The goal of U.S. engagement in Iraq is a united, stable, democratic, and secure nation, where Iraqis have the institutions and resources they need to govern themselves and to provide security for their country. The metrics discussed in this report measure progress toward—and setbacks from—this goal and help illuminate the challenges. Although the U.S. goal remains constant, the ways and means used to achieve the goal have changed and will continue to change to adapt to a shifting situation. The United States and its Coalition partners remain committed to assist the Iraqi people to take over full responsibility for their country. Ultimately, success in these efforts lies with the Iraqi people.

The period covered in this report (August 12, 2006 to November 10, 2006) saw incremental progress in the Government of Iraq's willingness and ability to take over responsibility, to build institutions, and to deliver essential services. This progress is notable given the escalating violence in some of Iraq's more populous regions and the tragic loss of civilian life at the hands of terrorists and other extremists. To counter this violence, Iraqi Security Forces (ISF) have assumed more leadership in counter-insurgency and law enforcement operations as they approach completion of the programmed goals for training and equipping. The Government of Iraq has identified future security requirements and is working,

both independently and with the United States, to program additional security resources. The international community is also responding to its role in Iraq's peaceful development, as evidenced by recent United Nations Security Council resolutions and regional engagement initiatives.

Political Stability

Iraq's Council of Representatives has passed key legislation to initiate the constitutional review process, to facilitate foreign investment, and to outline a process for region formation. Most important for long-term political stability is the success of Prime Minister Nuri al-Maliki's National Reconciliation and Dialogue Project. This project initiated a series of meetings among political, religious, tribal, and sectarian leaders, and could, under the right circumstances, over the long run, serve as a basis for effective legislation for civil society and a national compact resolving the divisive issues in Iraq.

However, so far, this project has shown little progress. Sectarian violence has steadily increased despite meetings among religious and tribal leaders. The proposed meeting between political leaders has been repeatedly delayed. Concrete actions by the Government of Iraq to implement national reconciliation have not been successful.

Some Iraqis now express a lack of confidence in the government's ability to equitably solve fundamental issues.

The U.S. government should continue to press the Iraqi government to act on the Presidency Council's October 2006 legislative and political agenda. This document included a timeline for key issues that directly impact Iraqi reconciliation efforts.

The international community continued to show support for long-term peace and stability in Iraq and the region. In August 2006, the United Nations extended the mandate of the UN Assistance Mission to Iraq and, in November 2006, the UN Security Council voted unanimously to extend the mandate of the multi-national force in Iraq.

Within the region, the Organization of the Islamic Conference held a meeting in Mecca during which Iraqi religious leaders of both Sunni and Shi'a communities publicly declared suicide bombings and other attacks on Iraqi Muslims a sin.

Critical domestic issues, including hydro-carbon legislation, de-Ba'athification reform, provincial elections, and demobilization of militias, must still be addressed. The failure of the government to implement concrete actions in these areas has contributed to a situation in which, as of October 2006, there were more Iraqis who expressed a lack of confidence in their government's ability to improve the situation than there were in July 2006. It remains an urgent responsibility of the Government of Iraq to resolve the outstanding issues that inhibit political progress and to demonstrate a resolve to contain and terminate sectarian violence.

Economic Activity

The Iraqi economy continued to show progress, but still faces serious challenges. High unemployment continued to feed sectarian, insurgent, and criminal violence. Although definitive data are not available on the actual unemployment rate, it has been an issue that has had a significant effect on the security environment. The Iraqi government, along with Coalition and international help, must create an effective strategy to provide jobs. This program must be seen as fair and non-sectarian by common Iraqis. It must produce tangible results for a plurality of Iraqis or it may decrease the legitimacy of the Government of Iraq and have little effect on the level of violence.

Oil production and electricity generation have improved since August 2006, but the security situation, maintenance deficiencies, and management issues have adversely affected distribution and delivery of these essential services. As of the data cut-off date for this report, crude oil production was 2.3 million barrels per day (mbpd). This is 7.5% higher than the production reported in August 2006, but still short of the Government of Iraq's goal of 2.5 mbpd per day. Oil exports remained at 1.6 mbpd, short of the government's revised goal of 1.7 mbpd, but the financial impact of the shortfall was completely offset by higher-than-projected oil prices, resulting in higher-than-projected oil revenues.

The average peak generating output for electricity for the reporting period was 4,650 megawatts, 2% more than the previous quarter, and Iraq averaged 11 hours of power per day nationwide. In October 2006, the last month for which data were available, the national average increased to 12.2 hours, slightly exceeding program goals. Electrical distribution was affected by the same problems as the oil sector, leaving some

areas, including Baghdad, with far fewer hours of government-supplied electricity.

New water projects have increased the supply of potable water by 35% since May 2006, but availability of fresh water remained far short of the need.

The Security Environment

In the past three months, the total number of attacks² increased 22%. Some of this increase is attributable to a seasonal spike in violence during Ramadan. Coalition forces remained the target of the majority of attacks (68%), but the overwhelming majority of casualties were suffered by Iraqis. Total civilian casualties increased by 2% over the previous reporting period. Fifty-four percent of all attacks occurred in only 2 of Iraq's 18 provinces (Baghdad and Anbar). Violence in Iraq was divided along ethnic, religious, and tribal lines, and political factions within these groups, and was often localized to specific communities. Outside of the Sunni Triangle, more than 90% of Iraqis reported feeling very safe in their neighborhoods. Still, concern regarding civil war ran high among the Iraqi populace.

The number of infrastructure attacks continued to decrease, but the lack of recovery from the cumulative effects of these attacks, combined with ineffective infrastructure repair and maintenance, impeded the delivery of essential services to Iraqis and undermined the legitimacy of the government among the Iraqi people. The U.S. Congress provided supplemental funds that the Departments of State and Defense plan to use to improve infrastructure security.

Iraqi Security Forces

More than 45,000 additional Iraqi soldiers and police have completed initial training and equipping since August 2006, bringing the total number of ISF that have been

trained and equipped to 322,600. By the end of December 2006, the United States and its Coalition partners will have met the force generation targets while continuing the efforts to improve the ISF's capability to meet emergent requirements. However, the trained-and-equipped number should not be confused with present-for-duty strength. The number of present-for-duty soldiers and police is much lower, due to scheduled leave, absence without leave, and attrition.

The ISF increasingly took operational lead, assuming primary area security responsibility and demonstrating an increased capability to plan and execute counter-insurgency operations. As of November 13, 2006, there were 6 Division Headquarters, 30 Brigade Headquarters, and 91 Iraqi Army battalions that have been assigned their own areas for leading counter-insurgency operations. In September 2006, Multi-National Corps-Iraq (MNC-I) transferred command and control of the Iraqi Ground Forces Command (IGFC) to the Ministry of Defense Joint Headquarters. Joint Headquarters also assumed command and control of the Iraqi Air Force and Navy, and IGFC assumed command and control of two Iraqi Army divisions (4th and 8th). In total, 104 Iraqi Army combat battalions, 2 Special Operations Battalions, and 6 Strategic Infrastructure Battalions are now conducting operations at varying levels of assessed capability.

The most significant remaining challenges are the reformation of the Ministry of Interior police force and the development of ISF logistics and sustainment capabilities. The Government of Iraq, with U.S. assistance, is working to eliminate militia infiltration of the Ministry of Interior and the extensive reliance of Iraqi forces on U.S. support and sustainment.

Transferring Security Responsibility

On September 21, 2006, responsibility for the security of Dhi Qar Province was transferred from MNF-I to the Iraqi Provincial Governor and the civilian-controlled Iraqi police. Dhi Qar became the second of Iraq's 18 provinces to make the transition to Provincial Iraqi Control. Pending successful negotiations between the Government of Iraq and the Kurdistan Regional Government, MNF-I and the Government of Iraq intend to transfer security responsibility of Dahuk, Irbil, and Sulamaniyah Provinces to the Kurdistan Regional Government by the

end of December 2006. The remaining provinces are expected to achieve Provincial Iraqi Control in 2007.

In consultation with the military commanders in Iraq, the Government of Iraq, and Coalition partners, the Department of Defense continued to advise the President on the appropriate level of U.S. forces in Iraq. As security conditions improve and the ISF become more capable of securing their own country, Coalition forces will move out of the cities, reduce the number of bases from which they operate, and conduct fewer visible missions.

1. Stability and Security in Iraq

1.1 Political Stability

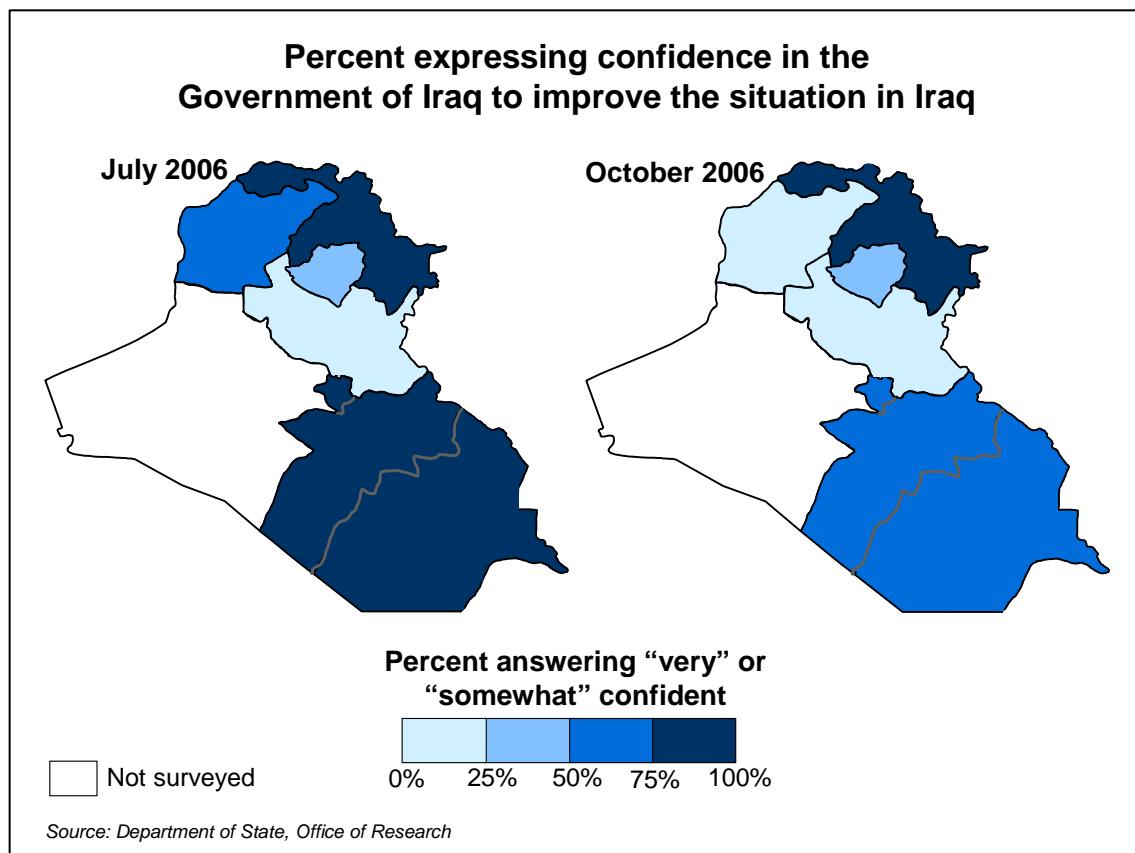
1.1.1 Steps to a Free and Self-Governing Iraq

As detailed in the August 2006 *Measuring Stability and Security in Iraq* report, the political milestones for democracy in Iraq have been completed. Accomplishment of these milestones could enable the Government of Iraq to advance three parallel actions: a national reconciliation program; regional engagement; and a negotiated, realistic timetable for transition to security self-reliance. These actions could enable Iraqis to resolve their political differences and grievances and to assume a unifying responsibility for Iraq's future. These actions must effectively deal with militias, including disarming, demobilizing, and reintegrating them into Iraqi society. However, a range of criminal, political, ethnic,

and religious factions that pursue their own interests through the use of terror, murder, sabotage, extortion, bribery, and corruption is threatening accomplishment of these actions. In October 2006, there were more Iraqis who expressed lack of confidence in their government's ability to improve the situation than there were in July 2006.³

National Reconciliation Program

A successful national reconciliation program is important to Iraqi political development. On June 25, 2006, Prime Minister Maliki presented his National Reconciliation and Dialogue Project to the Council of Representatives (CoR). This plan aims at reconciling past inequalities, working to move beyond sectarian divisions, and establishing democratic unity through participation in the political process.



On August 26, 2006, the first of four planned reconciliation conferences was held. The participants, roughly 500 tribal sheiks, endorsed the Prime Minister's National Reconciliation and Dialogue Project and called for an end to sectarian violence, the disbanding of militias, a delay in federalism, and a review of de-Ba'athification reform. On September 16–18, 2006, the Government of Iraq held the second conference, for approximately 800 civil society leaders. This meeting produced recommendations for civil society and nongovernmental organizations that were intended to be used as guidance during the national reconciliation process.

There are two other conferences to be held: a political parties conference and a religious scholars conference. The political parties conference (which has been postponed several times) may provide participants with an opportunity to make concessions and reach agreements that could lead to constitutional amendments in the hopes of solidifying Iraqi unity and security. At a minimum, the conference could improve the atmosphere for crafting amendments in the CoR. Such amendments might provide political and legal structures that would allow other initiatives—such as the Maliki Peace Initiative, de-Ba'athification reform, and the demilitarization of Iraq—to proceed. The religious scholars conference has not been scheduled.

The National Reconciliation and Dialogue Project was complemented by a religious leaders' conference, sponsored by the Organization of the Islamic Conference, aimed at reducing sectarian violence among Muslims in Iraq. At this meeting, held in Mecca, October 19–20, 2006, Iraqi religious leaders of both Sunni and Shi'a communities issued a document of honor declaring suicide bombings and other attacks on Iraqi Muslims a sin.

Regional Engagement

Stability and security in Iraq is a regional issue. Each of Iraq's neighbors—Iran, Jordan, Kuwait, Saudi Arabia, Syria, and Turkey—is a stakeholder in regional stability, and engaging Arab states in the region to work for a united and independent Iraq and to end active and passive support for violent groups operating from within their territories is critical to the success of national reconciliation efforts. Although each neighbor has different concerns and policies regarding Iraq, they all share a common interest in promoting political, economic, and security stability. The United States is facilitating regional negotiations on mutual interests and can help find common ground on contentious transnational issues.

Timetable for Transition to Security Self-Reliance

Coalition forces remain in Iraq at the request of the Government of Iraq while Iraqis develop the capability to assume responsibility for their own security. A negotiated, realistic timetable for transition to security self-reliance could allow the Government of Iraq to take responsibility for its political development, economy, and security, without threatening or unnecessarily risking the gains made so far. Such a timetable could lead to changes in the political dynamic in Iraq, providing support for the government's own long-term vision: a united, federal, and democratic country, at peace with its neighbors and itself.

1.1.2 Progress in Legislative Action

The CoR has made progress in several areas, including approving the Executive Procedures to Form Regions Law, passing the Investment Law, and forming a Constitutional Review Committee. There is a notable tendency for the Government of Iraq to delay making difficult decisions. Political parties boycott CoR sessions where agendas include

topics that they do not want discussed or voted on, indicating an unwillingness or inability to compromise. There are still many outstanding issues, including legislation on and enactment of a High Independent Electoral Commission Law; Provincial Election Law; Hydrocarbon Law; de-Ba'athification Reform Law; Flag, Emblem, and National Anthem Law; and Amnesty, Militias, and Other Armed Formations Law.

- **Executive Procedures to Form Regions Law.** Federalism and the shape it takes in Iraq are two of the sharper and more contentious issues in Iraqi politics. In October 2006, after many long debates on whether the region formation law would have the effect of breaking the country apart, the CoR passed the Executive Procedures to Form Regions Law. To allow more time for additional discussions, the CoR postponed implementation of the law for 18 months.
- **Investment Law.** During the reading and debate process, the Investment Law became progressively less protectionist, and its passage establishes a legal regime friendly to foreign direct investment.
- **Constitutional Review Committee.** In September 2006, the CoR approved the membership of the Constitutional Review Committee. The committee has four months to review the constitution and develop a list of proposed amendments for presentation to the CoR. Members have agreed to make decisions by consensus rather than by voting, which could limit the scope of proposed amendments. It should be noted that the constitution calls for some 55 enabling laws that will clarify and specify constitutional provisions. This enabling legislation may influence the perceived need to amend the constitution. Although there is now no timetable for the Constitutional Review Committee to begin its work, the Government of Iraq has

established a notional timeline for referendums on proposed constitutional reforms.

- **Hydrocarbon Law.** The Hydrocarbon Law could serve as a major unifying force, if all parties obtain a satisfactory share of benefits from Iraq's significant natural resources. Since the August 2006 report, there has been progress in negotiations to reconcile differences in the draft hydrocarbon laws of the Kurdistan Regional Government and the federal government in Baghdad. This progress, on such issues as revenue-sharing formulas and regional contracting, may lead to passage of final legislation in the near future.

1.1.3 International Compact

The United States continues to work with other donors to coordinate efforts to assist Iraq. Among the most important of these efforts is the International Compact with Iraq, an initiative of the Government of Iraq and the United Nations that was launched on July 27, 2006, in Baghdad. The compact will provide a framework for mutual commitments between Iraq and the international community, particularly Iraq's neighbors. Iraq will commit to reforming its main economic sectors (oil, electricity, and agriculture) and to establishing the laws and building the institutions needed to combat corruption, ensure good governance, and protect human rights. In return, various members of the international community will commit to providing financial, technical, and other forms of assistance needed to support Iraqi efforts to achieve economic and financial self-sufficiency over the next five years.

1.1.4 Rule of Law

Political stability in Iraq is predicated on achieving the rule of law. The rule of law requires a functional legal code, police to investigate crimes and enforce laws, criminal and civil courts to administer justice, and prisons to incarcerate offenders. Systemic

inefficiencies in or among any of the four requirements create serious problems. Although progress continues, development and implementation of rule of law initiatives has been slow, contributing to crime, corruption, and the proliferation of illegal armed groups. Mistrust between the police forces and the judiciary further hampers progress in the development of the rule of law.

- **Functional Legal Code.** The Iraqi Constitution sets forth a comprehensive list of rights and freedoms, but additional legislation is needed to implement these guarantees.
- **Police.** The Ministry of Interior (MOI) currently views its primary role as that of providing security. An emphasis on tactical skills is understandable, considering the nature of the violence in Iraq, but little time is left for training on or conducting criminal investigations. As a result, corruption and smuggling are becoming more organized and entrenched. The Coalition Police Assistance Transition Team is working to rectify this by strengthening the Iraqi Major Crimes Task Force and the Major Crimes Unit. In addition, proposals are being discussed by the MOI and MNSTC-I that would improve Iraq's forensic investigative capabilities by adding several thousand forensic specialists to the police forces.
- **Courts.** Suspects rarely see an investigative judge within the constitutionally prescribed 24-hour timeframe. The failure to secure timely trials is largely due to an acute shortage of investigative judges, prosecutors, judicial investigators, and trial judges, and systemic inefficiencies, including the lack of cooperation and communication between the police and the judiciary.

Iraq currently has approximately 800 investigative and trial judges and 100

courts. The Government of Iraq recognizes the need to expand judicial capacity. The government recently appointed 79 judges to the bench, and an additional 80 judicial appointments are pending approval. To meet the demands of the courts, the number of judicial investigators is slated to reach 700 in 2007 and 1,000 in 2008. In addition, the Ministry of Justice has a Judicial Training Institute, which offers a 2-year training course for judges and prosecutors. The first class of 178 judges and prosecutors is scheduled to graduate in the summer of 2007. A second class of 60 has just started training. These steps are a good beginning, but to meet the growing demand for judges the Ministry of Justice will need to do more to increase the Institute's capacity.

Corruption in the judiciary is less pronounced than in other branches of the justice system. A far more significant problem is judicial intimidation and lack of security. Judges are frequently threatened and attacked, and, thus, occasionally fail to report to work, resign from their positions, fear reaching verdicts against powerful defendants, and, in the provinces (as opposed to in the Central Criminal Court of Iraq [CCCI] in Baghdad), decline to investigate and try insurgent- and terrorism-related cases. The vast majority of these cases are transferred to the CCCI in Baghdad for prosecution.

In the future, it will be necessary to build a dedicated judicial security force and secure judicial criminal justice complexes that include a courthouse, detention facilities, forensic labs, and judicial housing located within the same secured perimeter. Securing these criminal justice components in the same location will provide enhanced courthouse security and personal protection for judges and their families; create much-needed synergy among the judiciary, police, and detention officials;

-
- and resolve the crushing logistical burden involved in transporting detainees.
- **Prisons.** Pre-trial detention facilities in Iraq are administered by the MOI. They are overcrowded, with substandard facilities and poor accountability for persons detained. Post-conviction prisons that are administered by the Ministry of Justice, by comparison, generally meet international standards and function fairly well, although increased capacity is required. The Government of Iraq, with U.S. assistance, is working to build additional detention and prison facilities.
- ### 1.1.5 Obstacles to Political Progress
- The violence in Iraq poses a grave threat to political progress. Illegal armed groups—with long-standing grievances, extremist beliefs, tribal affiliations, and/or personal vendettas—often reject the political process. Other criminally motivated violence (for example, the hijacking of food ration trucks) also hampers progress.
- Personal loyalties to various sub-national groups, such as tribe, sect, or political party, are often stronger than loyalty to Iraq as a nation-state. In addition, Iraq's political parties are often unwilling or unable to resolve conflicts through compromise. Further, some Iraqis have joined the political process but condone or maintain support for violent means as a source of political leverage. This makes effective national reconciliation and disarmament, demobilization, and reintegration programs difficult to design and implement.
- There are other significant inhibitors to political progress in Iraq.
- An inability to design, institutionalize, and enforce effective operating procedures and internal controls within the Iraqi ministries has proved challenging.
 - Corruption in the ministries has hampered their capabilities. Many of Iraq's political factions tend to view government ministries and their associated budgets as sources of power, patronage, and funding for their parties. Ministers without strong party ties face significant pressure from political factions and sometimes have little control over the politically appointed and connected people serving under them. This corruption erodes public confidence in the elected government.
 - Transnational Issues.
 - Foreign Interference. Iran and Syria are undermining the Government of Iraq's political progress by providing both active and passive support to anti-government and anti-Coalition forces. The Coalition and the Government of Iraq have attempted to counter Iranian and Syrian influence diplomatically and by tightening security at the borders. Eliminating the smuggling of materiel and foreign fighters into Iraq is a critical task and a formidable challenge.
 - Drug Trafficking. Drug trafficking is a potential source of revenue for terrorists and other anti-Iraqi forces, and, although it has not been seen on a large scale in Iraq, it has expanded, following the pattern of most post-conflict countries. The U.S. State Department believes that Syrian drug traffickers are exploiting Iraq's permeable border to transport fentanyl to the Gulf.
 - Refugees. Many Iraqis have fled the country, and the number of refugees continues to rise. According to the United Nations High Commissioner for Refugees (UNHCR) November 2006 Iraq Displacement Report, for Iraqis living outside Iraq, “the figures in the immediate neighbouring states are still imprecise, but we now estimate that there are up to 700,000 Iraqis in Jordan; at least 600,000 in Syria; at least

100,000 in Egypt; 20,000–40,000 in Lebanon; and 54,000 in Iran. Many of those outside the country fled over the past decade or more, but now some 2,000 a day are arriving in Syria, and an estimated 1,000 a day in Jordan. Most of them do not register with UNHCR.”

- Regional Water Rights. The Tigris and Euphrates are the major sources of water for Iraq, and the majority of flow in these two rivers originates in Iran, Syria, and Turkey. Access to water is vital in efforts to boost hydroelectric production, restore the marshland drained by Saddam in the 1990s, and

facilitate a stronger oil industry, while meeting other industrial, agricultural, and civilian needs. Iraq does not have any formal agreements with Turkey on the management or allocation of water from the rivers. Although Iraq and Syria have an agreement on sharing of the Euphrates, at present there is no tri-lateral agreement or effective agreement with Iran regarding frontier watercourses. Over the past two years, the Iraq Ministry of Water Resources has actively sought to initiate bilateral discussions with Turkey, Syria, and Iran, but additional bilateral or regional agreements are essential.

1.2 Economic Activity

1.2.1 Building the Iraqi Economy

The Government of Iraq is committed to economic reform, including expanding private sector activity, and has taken some positive, concrete steps forward, such as raising gas prices and passing important legislation, including the Fuel Import Liberalization Law and the Investment Law. Notable progress has been made in the energy, electricity, and water sectors over the last quarter; the International Monetary Fund (IMF) estimates that non-oil GDP growth in 2006 will be 10%. Nevertheless, the Government of Iraq faces serious challenges in the economic sector and has made only incremental progress in economic reform and execution of its own budget and programs.

On October 31, 2006, the members of the International Compact group met to finalize the compact, anticipating approval by the end of 2006. Over the next five years, the International Compact has the potential to bring together the international community and multilateral organizations to help Iraq in attainment of sustainable economic growth and reintegration of its economy into the region and the world.

The UN Compensation Commission approved awards of US\$52.5 billion for the compensation fund established to pay victims

of Iraq's 1991 invasion of Kuwait. As of September 2006, Iraq had paid more than US\$20 billion. Every year, 5% of Iraq's oil revenue goes to the compensation fund. This payment is placing a significant strain on Iraq's resources and Prime Minister Maliki has proposed that this obligation be ended.

1.2.2 Indicators of Economic Activity

Economic indicators are collected and published regularly, largely through the Iraqi Ministry of Planning and Development Cooperation and international organizations, such as the World Bank, the UN, and the IMF.

As depicted in the figure below, projections from the IMF assume that economic growth over the medium term will remain dependent on the performance of the oil sector, which currently accounts for more than two-thirds of Iraq's GDP. The outlook also assumes that the Government of Iraq's investment in the oil sector will generate increased oil production and strong GDP growth over the medium term. The fact that government ministries are having difficulty executing their budgets is undercutting the capital expenditure needed for medium-term growth. Part of the Ministerial Capacity Development program is targeted toward helping Government of Iraq ministries improve the development and execution of their budgets.

GDP Estimates and Projections, 2004 – 2008					
	2004	2005 e	2006 p	2007 p	2008 p
Nominal GDP (in USD billion)	25.7	34.5	47.0	61.0	71.0
Government Oil Revenue (in % of GDP)	69.6	69.4	66.9	66.5	67.4
Per Capita GDP (USD)	949.0	1,237.0	1,635.0	2,060.0	2,319.0
Real GDP (% change)	46.5	3.7	4.0	14.4	12.9
Overall Fiscal Balance (in % of GDP)	-40.6	9.8	-6.1	-2.1	-0.8
Consumer Price Inflation (annual %)	32.0	32.0	30.0	17.0	10.0

Source: IMF Estimates (e) and Projections (p), August 2006

Inflation

Iraq's high rate of inflation is a serious obstacle to progress under the IMF's Stand-By Arrangement (SBA). Sustained progress under the SBA is necessary to secure donor support for the International Compact, and failure to meet the terms of the SBA would complicate negotiations for a new IMF program in 2007. Satisfactory progress under an IMF program for three years is required for the final 20% of Paris Club debt relief.

High inflation—a result of disruptions in the supply of food and fuel, price deregulation, spending by the Government of Iraq and donors, and growth of the money supply—is threatening progress toward economic stability in Iraq. Unlike in previous years, when inflation was confined mainly to rents, fuel, and transport, prices are now increasing rapidly in all sectors. According to Iraq's Central Organization for Statistics and Information Technology, the annual inflation rate from October 2005 to October 2006 was

53%. It is widely believed that the official inflation rate underestimates the actual inflation rate.

Runaway inflation exacerbates the government's decline in purchasing power and increases wage and pension demands, placing added pressure on the budget.

Over the past three months, the Central Bank of Iraq has taken steps to try to stem inflation.

- The bank raised interest rates from 7% to 12%, but the weak banking sector and the significant influence of the dollar rendered this move largely symbolic.
- The bank also slowly appreciated the dinar. The exchange rate is now approximately 1,455 Iraqi dinar to US\$1. However, a much faster rate of appreciation will be necessary to fight inflation. By increasing the dinar's value, the Central Bank of Iraq could encourage more Iraqis to hold onto dinars as opposed to converting them to dollars. Appreciation of

the dinar would also reduce the dinar value of the Government of Iraq's dollar-denominated revenue (more than 90% of revenues is from oil), but, as appreciation succeeds in controlling inflation, the government would require fewer dinars to pay for its expenditures. Appreciation of the dinar would not harm the competitiveness of Iraqi exports—non-oil exports are negligible—but it could impair the ability of domestic industries like agriculture to compete with foreign imports.

However, the bank has been reluctant to take the necessary stronger measures.

Unemployment

There have been no new unemployment data since the August 2006 report. At that point, official unemployment estimates ranged from 13.4% to 18%.⁴ Other reporting indicates unemployment is significantly higher. Private sector-led economic growth and investment are essential for any long-term, sustained reduction in unemployment. Unemployment and underemployment may make financial incentives for participating in insurgent or sectarian violence more appealing to military age males. There is a correlation between dissatisfaction over jobs and levels of violence. A decrease in unemployment may well have a significant impact on the level of sectarian violence and insurgent attacks based on analysis by the Joint Warfare Analysis Center.

The Department of Defense is engaged in early efforts to increase employment opportunities in Iraq. The Business Transformation Agency is engaged in an effort to streamline contracting mechanisms and put more US contracts directly in the hands of capable Iraqi contractors. They are undertaking a review of State Owned Enterprises to identify factories that could quickly reopen and potentially employ

thousands of Iraqis. Additionally, senior Defense officials have engaged in an outreach program to executives at major U.S. corporations to encourage them to do business with Iraqi companies. Engagement with the U.S. Chamber of Commerce has been well received and several top U.S. companies have come forward offering to assist.

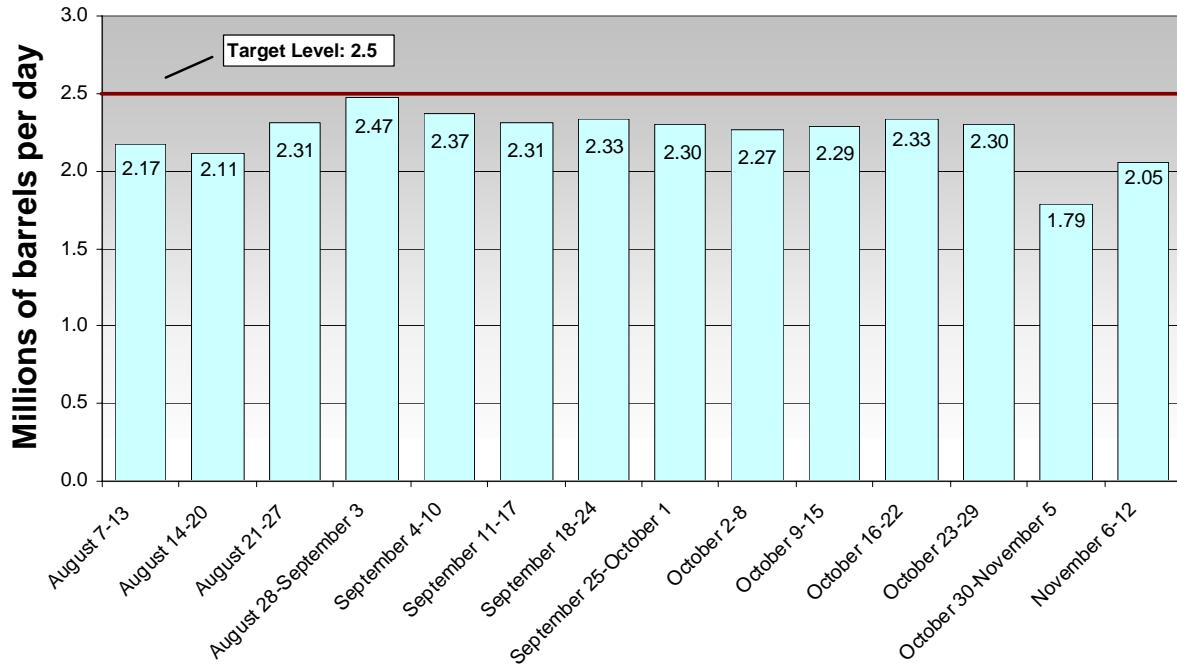
Additional interagency and international efforts to create jobs are in development. Programs such as USAID's Community Stabilization Program, Community Action Program, Izdahar Micro-Credit Programs and Agribusiness programs need to be expanded and accelerated to further increase employment. Efforts to address unemployment and underemployment must be viewed as a top United States and Iraqi priority and be appropriately funded.

Oil Production, Distribution, and Export

Over the course of Saddam Hussein's reign, Iraq's oil infrastructure deteriorated badly due to lack of replacement of critical parts and equipment from the original suppliers. The Coalition has worked to help the Government of Iraq restore oil facilities, increase production, improve refining, boost natural gas production, and maintain pipeline facilities. However, poor operational and maintenance practices, insurgent attacks, slow repair, and flawed procurement and contracting procedures have hampered progress and have precluded the Ministry of Oil from providing sufficient funds for operations and maintenance, needed rehabilitation projects, and new field development.

The flow of crude oil has been periodically halted by corrosion, fires, maintenance, and attacks, all of which hamper production of refined products and crude oil for export. Despite these problems, crude oil production for the August–October 2006 quarter rose to 2.3 million barrels per day (mbpd); exports

Oil Production August – November 2006



Source: Iraq Reconstruction Management Office

remained at 1.6 mbpd. Oil exports fell short of the Government of Iraq's revised goal (1.7 mbpd). However, due to higher market prices for crude oil, revenues improved and exceeded annual targets by US\$1.7 billion through the end of October.

During the last reporting period, Iraq briefly resumed exports from northern oilfields for the first time since the autumn of 2005, though on a very small scale. Sabotage and equipment failures continued to prevent significant northern exports.

The regulated price of regular gasoline (87 octane) in Iraq is currently about 170 dinars (~US\$0.45) per gallon, while premium gasoline (92 octane) is about 350 dinars (~US\$0.90) per gallon. Fuel subsidies and a limited supply lead to gray market⁵ activities and corruption. Gray market prices for refined products in Iraq are

considerably higher than the regulated prices and are comparable to those of its neighbors, with the exception of Turkey, which heavily taxes refined oil products.

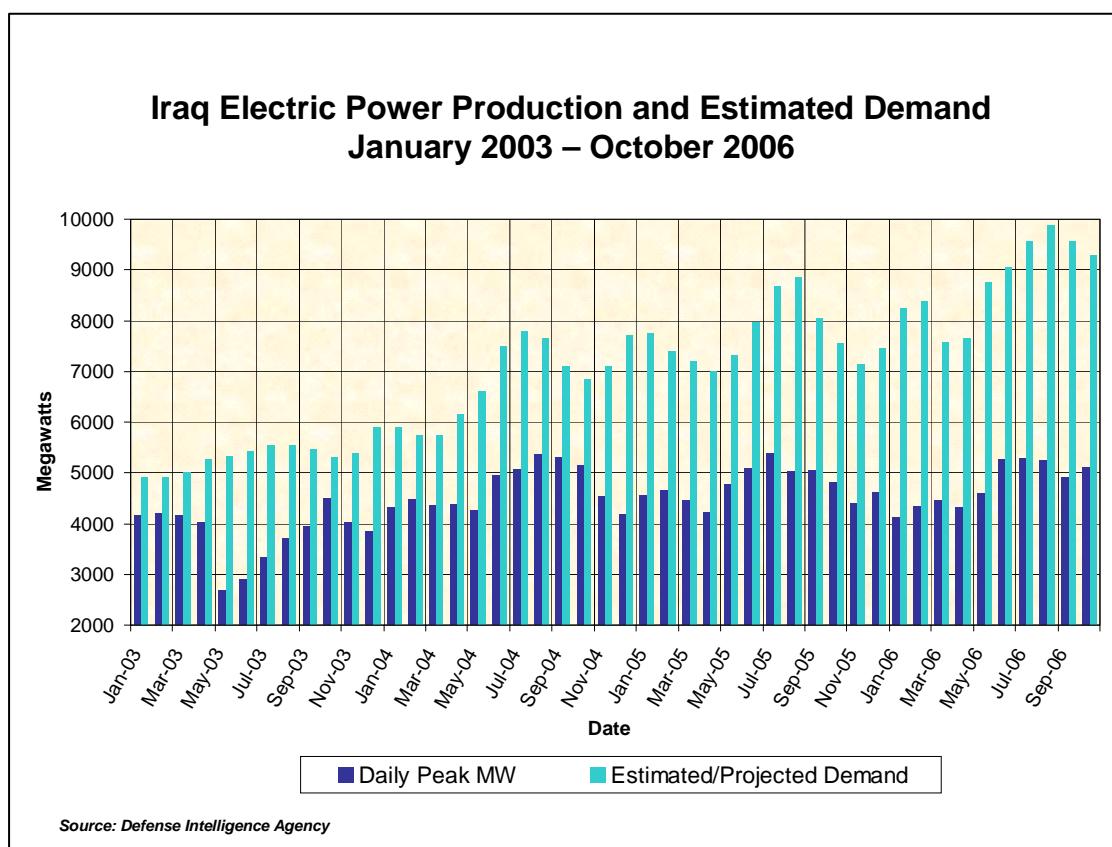
On September 6, 2006, the CoR passed the Fuel Import Liberalization Law, which, if properly implemented, would break the government's monopoly on fuel importation. This legislation should allow the refined fuel market to grow, relieve the cost of the subsidy on the Government of Iraq, and ease the frequent shortages of refined fuels. The U.S. Embassy is working on recommendations to improve the implementing regulations, which do not yet meet standards that would encourage private sector importers to invest. These recommendations will be presented to the Ministry of Oil, to obtain the maximum benefit of the Import Liberalization Law.

Electricity Production and Distribution

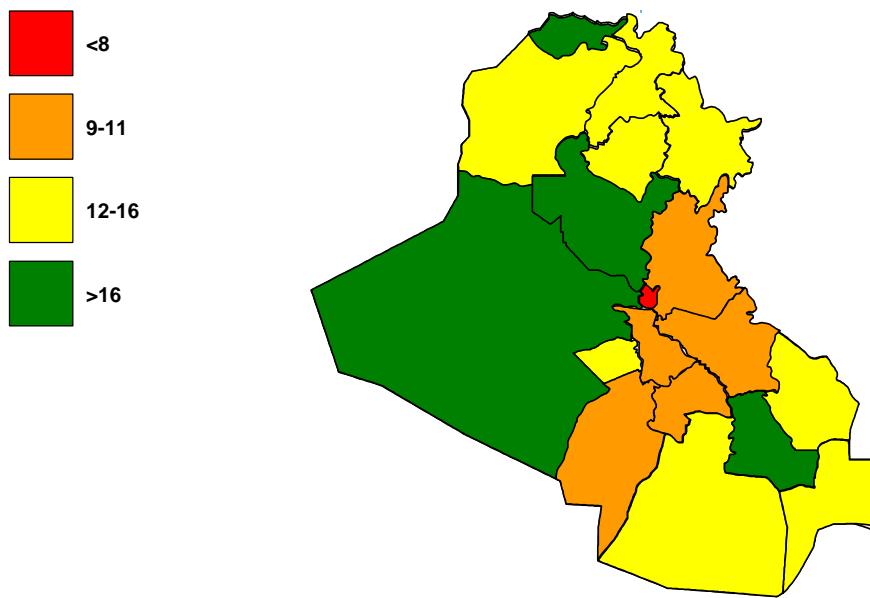
Estimated peak demand for electricity over the reporting period was 9,896 megawatts (MW), an increase of 12% over the same period in 2005. The Government of Iraq's goal for daily average peak generating output by the end of December 2006 is 6,000 MW, but it is unlikely that this goal will be met. During the current reporting period, the actual average daily peak generating output was 4,650 MW, an increase of 2% over the period covered in the previous quarterly report and 78% of the goal. Almost half of Iraqis report supplementing government-supplied electricity with private generators to fill the supply gap. The shortfall between government-supplied electricity and demand is aggravated by the absence of a rational fee-for-service tariff system that would encourage conservation and reduce the effects of corruption. Many experts agree that such a

system is a crucial step toward solving the supply gap problem.

Government-produced electricity averaged 11 hours per day over the previous quarter and 12.2 hours per day for the month of October, the last full month for which data are available. The October data are slightly higher than the programmed end state of 12 hours per day nationwide. Baghdad, however, averaged only 6 hours of power per day in the previous quarter, rising to 6.7 hours in October, 5.3 hours short of the programmed end state. Iraqis in some neighborhoods in other regions of the country also did not receive the national average hours of power due largely to interdiction of high-voltage transmission lines, lack of a rapid repair capability in the Ministry of Electricity, and limited local electrical generation capacity. Residents of other neighborhoods received continuous power.



Average Daily Hours of Electrical Power per Province October 2006



Source: Iraq Reconstruction Management Office

Note: Hours of power measures generation, not transmission and distribution. Not all Iraqis receive the amount of power indicated for their province on this chart

Water and Sanitation

New projects have added capacity to provide access to potable water to approximately 5.2 million Iraqis—an increase of 1 million people since the August 2006 report. Direct measurement of water actually delivered to Iraqis is not available.⁶

Iraq must closely examine and improve its domestic water usage within the different sectors. The agricultural sector uses approximately 90% of the water consumed, but there is tremendous potential to improve the efficiency of water use in this sector. Toward this end, in 2005 and 2006, the U.S. Government funded Phase I of a new national water master plan for Iraq, which, once completed,

will guide water resource development in Iraq for the next three decades.

Nutrition and Social Safety Net

The most recent estimates of hunger and nutrition were reported in the August 2006 report. Malnutrition was reported as varying between 14.2% and 26.5%, depending on the province.⁷

A social safety net program, being developed by the Ministry of Labor and Social Affairs, was described in the last report. The social safety net program is an essential step in reforming national subsidies, as required by the IMF SBA. Legislation required for this initiative has not yet been introduced.

1.3 The Security Environment

1.3.1 Overall Assessment of the Security Environment

During the most recent reporting period, the conflict in Iraq has been characterized by a struggle between Sunni and Shi'a armed groups fighting for religious, political, and economic influence, set against a backdrop of a Sunni insurgency and terrorist campaigns directed against the majority-Shi'a Government of Iraq and the Coalition forces that are supporting it. The competition among factions has manifested itself in ethno-sectarian violence, conflicting national and provincial politics, suspicion about the work of government ministries, pressures in ISF operations, and criminal activities. In contested areas, such as Baghdad, Diyala, and Kirkuk, extremists on all sides have sought to undermine the religious and ethnic tolerance of the Iraqi people in order to gain control of territory and resources.

Attack levels—both overall and in all specific measurable categories—were the highest on record during this reporting period, due in part to what has become an annual cycle of increased violence during the Islamic holy month of Ramadan. The most significant development in the Iraqi security environment was the growing role of Shi'a militants. It is likely that Shi'a militants were responsible for more civilian casualties than those associated with terrorist organizations. Shi'a militants were the most significant threat to the Coalition presence in Baghdad and southern Iraq.

Baghdad remained the focus of much of Iraq's violence, but it was also significant in Diyala and Anbar Provinces and in the cities of Kirkuk, Mosul, Basrah, Al Amarah, and Balad. In Baghdad, the number of attacks trended downward during August as a result of the start of Operation Together Forward Phase II (OTF II), but rebounded quickly.

The nature of violence in Iraq varied from area to area.

- The violence in Anbar was almost completely initiated by Sunni extremists and directed at Coalition forces. However, there were attempts by al-Qaeda in Iraq and affiliated Sunni extremists to intimidate the local population. These efforts provoked a backlash. Some tribal chiefs and Sunni Rejectionist leaders began localized efforts to retake control of their areas.
- In Diyala, and recently in Balad, the conflict between al-Qaeda in Iraq and Jaysh al-Mahdi was a sectarian fight for power and influence. In Diyala, sectarian violence decreased in September, largely due to a successful series of Iraqi Army/Coalition forces operations, which significantly degraded al-Qaeda in Iraq activity. However, in October, the number of casualties rose, as al-Qaeda in Iraq resumed sectarian attacks.
- The conflict in Basrah, Amarah, and the south was characterized by tribal rivalry, increasing intra-Shi'a competition, and attacks on Coalition forces operating in the region.

1.3.2 Recent Developments in the Security Environment

The level of sectarian violence in Baghdad has risen, with much of it directed against civilians. Neighborhoods have responded by forming their own militias for self-defense. The Sunni Arab insurgency also remains a potent threat to Coalition forces and the ISF, but it generally conducts smaller-scale attacks on military targets. As a result, the insurgents have had a lower profile than the sectarian elements executing civilians or al-Qaeda in Iraq elements conducting mass-casualty bombings and suicide attacks.

OTF II was launched as a means of reducing violence in Baghdad. OTF II began on August 7, 2006, and quickly led to a significant reduction in death squad activity, as extremists concentrated on hiding weapons and evading capture during intensive search operations. However, as the operation progressed, death squads adapted to the new security environment and resumed their activities in areas not initially targeted by OTF II. During September, the levels of sectarian violence and civilian casualties increased and in some cases almost returned to the levels seen in July. Shi'a death squads leveraged support from some elements of the Iraq Police Service and the National Police who facilitated freedom of movement and provided advance warning of upcoming operations. This is a major reason for the increased levels of murders and executions.

The violence and intimidation have led to an increase in the number of internally displaced persons in Iraq. According to the Iraqi Ministry of Displacement and Migration, about 460,000 people have been displaced since February 2006.

1.3.3 The Nature of the Conflict

Terrorists and Foreign Fighters

Although a combination of Iraqi Sunni and Shi'a groups are responsible for the majority of violence against the Iraqi people and Coalition forces, a few foreign operatives are responsible for the majority of high-profile attacks. Sunni terrorist organizations, such as al-Qaeda in Iraq and Ansar al-Sunnah, are engaged in a religiously motivated conflict to end "foreign occupation" and to marginalize the Shi'a.

- High-profile terrorist attacks are most often attributed to al-Qaeda in Iraq, whose goals include instigating sectarian violence. Al-Qaeda in Iraq and the affiliated Mujahadeen Shura Council consist of both foreigners and Iraqis motivated by an

extremist Sunni Islamist ideology and seek to establish an Islamic Caliphate in Iraq. The emergence of Abu Ayub al-Masri as leader of al-Qaeda in Iraq demonstrated its flexibility and depth, as well as its reliance on non-Iraqis (al-Masri literally means "the Egyptian"). Al-Masri benefited from detailed knowledge of former al-Qaeda in Iraq leader Abu Musab al-Zarqawi's planning as well as his own extensive operational experience, allowing him to carry forward many of his predecessor's existing strategies. Al-Masri has attempted to set the tone for the Iraqi jihad and to solidify the perception of continued strong leadership within al-Qaeda in Iraq. Since al-Masri assumed leadership, al-Qaeda in Iraq has continued its main strategy of instigating sectarian violence using high-profile attacks against Shi'a civilians.

- Ansar al-Sunnah is a mostly indigenous terrorist group with similar goals. However, Ansar al-Sunnah objects to al-Qaeda in Iraq's indiscriminate targeting of Iraqis.

Sunni Rejectionists

The New Ba'ath Party, the 1920 Revolutionary Brigade, and Jaysh Muhammad are the most prominent Sunni Rejectionist groups. To date, Sunni Rejectionists—also known as the Sunni Resistance—have exhibited limited interest in Prime Minister Maliki's National Reconciliation and Dialogue Project. These groups attack Coalition and Iraqi forces to try to get Coalition forces to withdraw and to regain a privileged status in a Sunni-dominated Iraq. Sunni Rejectionists target Coalition forces at higher rates than Shi'a militia groups do. Most of the Rejectionist insurgents will probably continue attacking Coalition forces as long as the Coalition remains in Iraq, and the Rejectionists are likely to increase attacks against Shi'a-dominated ISF as they assume greater responsibility.

The decentralized nature of the Rejectionist groups means local insurgent motivations vary. Nevertheless, Sunni Rejectionists are seeking security improvements in Sunni and mixed areas, disarmament and demobilization of Shi'a militia groups, a timetable for Coalition withdrawal, an end to de-Ba'athification, and amnesty for Rejectionist fighters. The Government of Iraq must address the majority of these diverse motivations before most of the Rejectionist fighters will lay down arms, but the Government of Iraq is unlikely to satisfy the Rejectionists completely.

Death Squads

Death squads are armed groups that conduct extra-judicial killings; they are formed from terrorists, militias, illegal armed groups, and—in some cases—elements of the ISF. Both Shi'a and Sunni death squads are active in Iraq and are responsible for the significant increase in sectarian violence. Death squads predominantly target civilians, and the increase in civilian casualties is directly correlated to an increase in death squad activities.

Militias and Other Armed Groups

A number of militias and illegal armed groups operated in Iraq before 2003. However, the Iraqi Constitution prohibits “the formation of military militias outside the framework of the armed forces.” Similarly, the Transitional Administrative Law and Coalition Provisional Authority Order 91 specified that the only legal armed groups in Iraq were Coalition forces, the ISF, and private security companies operating in accordance with Iraqi law. Coalition Provisional Authority Order 91 established a framework that recognized seven militias that had fought against the Saddam regime and provided incentives for them to disband. In early October 2006, Prime Minister Maliki stated that political parties should eliminate their militias or leave the government. However, personnel with sectarian agendas remain

within key ministries, especially the Ministry of Interior. In addition, rivalries for control of key resources and the central government's limited influence outside Baghdad undermine the Government of Iraq's ability to disband the militias.

Despite these legal and political prohibitions, militias and other small armed groups operate openly, often with popular support, but outside formal public security structures. These militias provide an element of protection for the populace, generally on a sectarian or political basis. This is especially true in areas where there is a perception that the Government of Iraq is unwilling or unable to provide effective security for the population. Some militias also act as the security arm of organizations devoted to social relief and welfare, lending these armed groups further legitimacy. Their continued existence challenges the legitimacy of the constitutional government and provides a conduit for foreign interference. Controlling and eventually eliminating militias is essential to meeting Iraq's near- and long-term security requirements.

The group that is currently having the greatest negative affect on the security situation in Iraq is Jaysh al-Mahdi (JAM), which has replaced al-Qaeda in Iraq as the most dangerous accelerant of potentially self-sustaining sectarian violence in Iraq. JAM exerts significant influence in Baghdad and the southern provinces of Iraq and on the Government of Iraq. JAM receives logistical support from abroad, and most, but not all, elements of the organization take direction from Muqtada al-Sadr. JAM and Badr Organization (see below) members periodically attack one another and are political rivals.

The Badr Organization was one of the recognized militia under the Coalition Provisional Authority Order 91. Although it participates in the Government of Iraq, Badr's members

attack Sunni targets and compete with JAM for power and influence among the Shi'a. Badr receives financial and materiel support from abroad.

The Peshmerga is a security organization that operates as the regional guard force described in Article 121 of the Iraqi Constitution. It maintains security independently within and along Iraq's borders for the Kurdistan Regional Government. Private security companies have hired individual Peshmerga members for work outside the Kurdish area. Some members of the Peshmerga have been integrated into the Iraqi Army; there are allegations that these former Peshmerga members remain loyal to Kurdish authorities rather than to their proper Iraqi chain of command. Although the Peshmerga does not attack Coalition or Iraqi forces, and in some cases provides security for reconstruction efforts, the perceived dual allegiance of the Peshmerga undermines effective national security and governance.

Sunni Arabs do not have a formally organized, national-level militia. Sunnis, especially in heavily mixed areas like Baghdad, rely on neighborhood watches and other local armed elements to provide security in neighborhoods and areas where they perceive Iraqi institutions and forces are unwilling or unable to meet security requirements. Attacks on the Sunni population by JAM, and the presence of Badr Organization and JAM members in the Iraqi Police Service and the National Police, contribute to Sunni concerns about persecution. High levels of sectarian violence are driving some Sunni neighborhood watch organizations in Baghdad to transform into militias with limited offensive capabilities.

Foreign Influence

Iran and Syria continue to influence security negatively in Iraq. The Iranian government sees an unprecedented opportunity to bring

Iraq into its sphere of influence and to prevent it from re-emerging as a threat to Iranian interests. Tehran also views the situation in Iraq through the prism of Iran's ongoing tension with the United States and the West—especially the continued presence of U.S. forces in Iraq, Afghanistan, and the Persian Gulf, which threatens to constrain Iran's regional ambitions. Iran seeks to ensure that the Coalition bears political, economic, and human casualty costs to deter future U.S. regional intervention. To achieve these objectives, Iran continues to pursue a dual-track strategy of supporting Shi'a unity and a stable government in Iraq—either a functioning, unified Shi'a-dominated central government or a federated state—on one hand, while facilitating militia activities in Iraq on the other. Iran has developed links to southern Iraq and the Kurdish region to facilitate access and perhaps to safeguard its interests in case Iraq were to split into a collection of sectarian enclaves.

Despite repeated warnings by the United States, the Syrian regime continues to provide safe haven, border transit, and limited logistical support to Iraqi insurgents, especially elements associated with the former Iraqi Ba'ath Party. The Syrians also permit former regime elements to engage in organizational activities, such that Syria has emerged as an important organizational and coordination hub for elements of the former Iraqi regime. Syria has taken a relatively pragmatic approach in dealing with Islamic extremist groups, such as al-Qaeda in Iraq and foreign fighters; although it has detained and deported many foreign fighters, Syria has allowed others to transit to Iraq.

Criminals

Common criminal elements are also capitalizing on the instability in Iraq. It is increasingly difficult to distinguish their activities from those committed by insurgent and terrorist

groups who are also engaged in kidnappings, extortion, murder, and other illegal behavior. In some cases, criminal gangs work with terrorist organizations, abducting hostages and selling them to the latter, who exploit them for publicity or ransom. Criminal activity, particularly kidnapping and the sale of gray-market gasoline, drugs, and weapons, is an increasingly important source of funding for insurgent and terrorist groups.

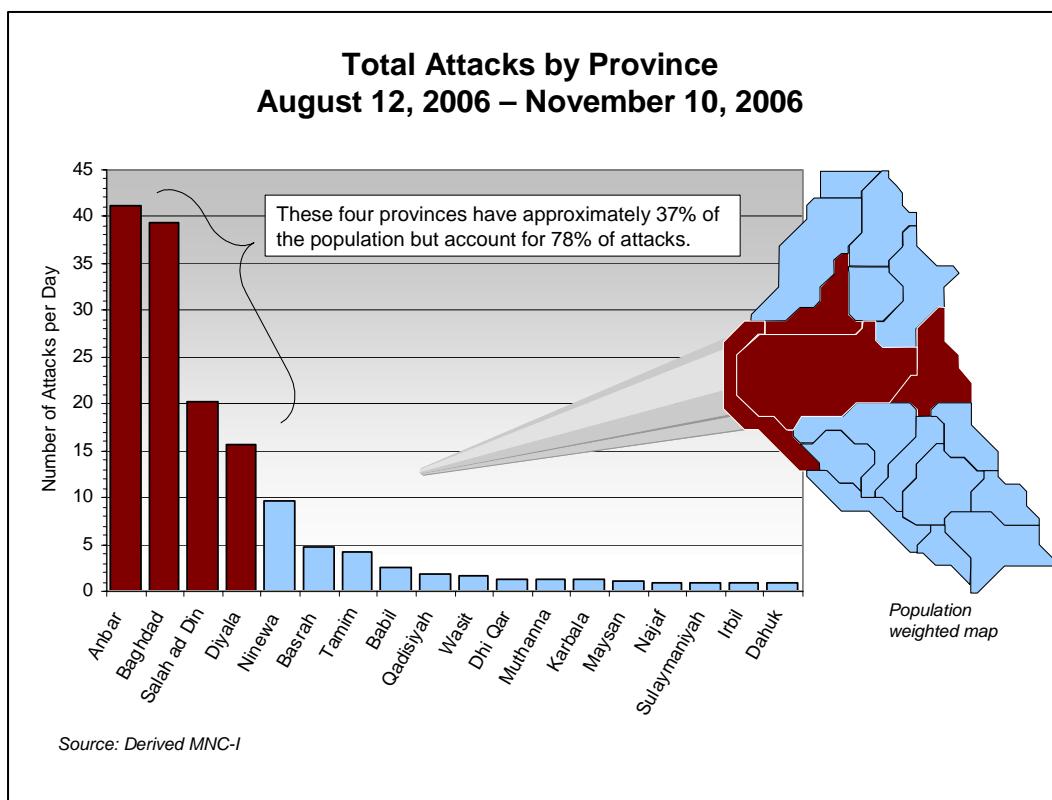
1.3.4 Attack Trends and Violence

For this report, the term “attacks” refers to specific incidents reported in the Multi-National Corps-Iraq (MNC-I) Significant Activities Database. It includes known attacks on Coalition forces, the ISF, the civilian population, and infrastructure. Attacks typically consist of improvised explosive devices (IEDs), small arms fire, and indirect fire weapons.

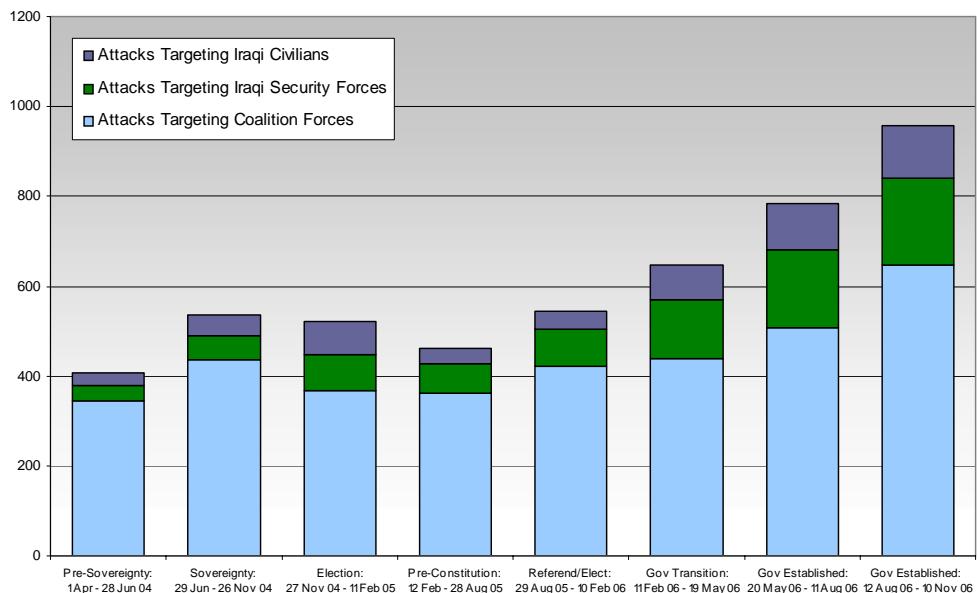
Country-wide, the average number of weekly attacks increased 22% from the previous

reporting period (May 20, 2006 to August 11, 2006) to the current reporting period (August 12, 2006 through November 10, 2006). Attacks decreased slightly in August, but rebounded quickly and were the highest on record in September and October. More than three-quarters of the attacks occurred in 4 of Iraq’s 18 provinces (Anbar, Baghdad, Diyala, and Salah ad Din). Anbar and Baghdad were the worst affected provinces, accounting for 54% of all attacks.

Coalition forces attracted the majority (68%) of attacks, and Coalition casualties increased 32% from the last reporting period. However, the ISF and Iraqi civilians suffered the majority of casualties. Overall, Iraqi civilian casualties increased by 2% compared to the previous reporting period and increased 60% compared to the “Government Transition” period earlier this year. This increase in civilian casualties was almost entirely the result of murders and executions.

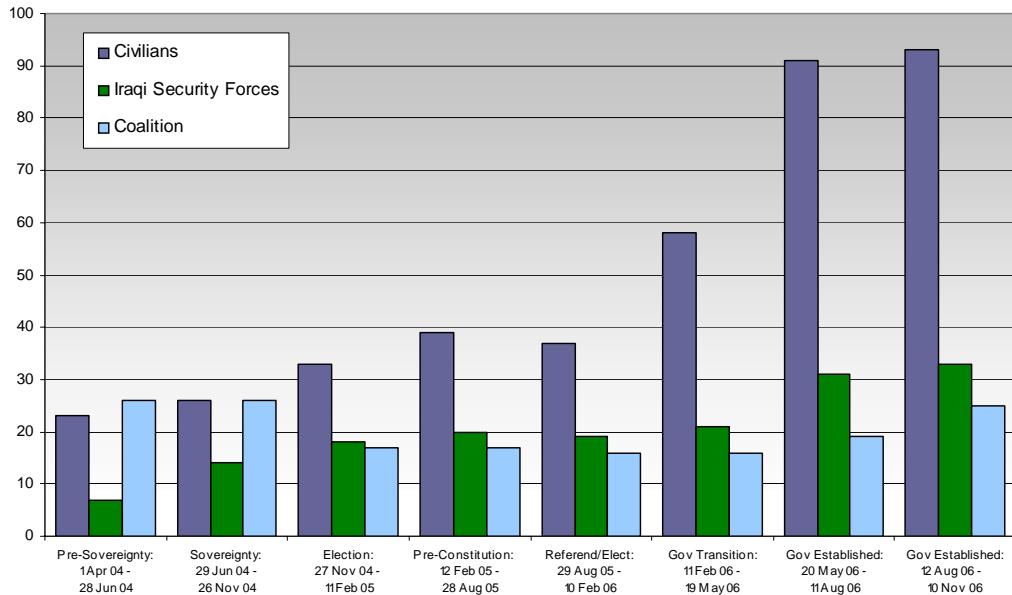


Average Weekly Attacks April 1, 2004 – November 10, 2006



Source: Derived from MNC-I

Average Daily Casualties* April 1, 2004 – November 10, 2006



* Casualty data reflect updated data for each period and are derived from unverified initial reports submitted by Coalition elements responding to an incident; the inconclusivity of these numbers constrains them to be used only for comparative purposes.

Source: Derived from MNC-I

1.3.5 Infrastructure Attacks

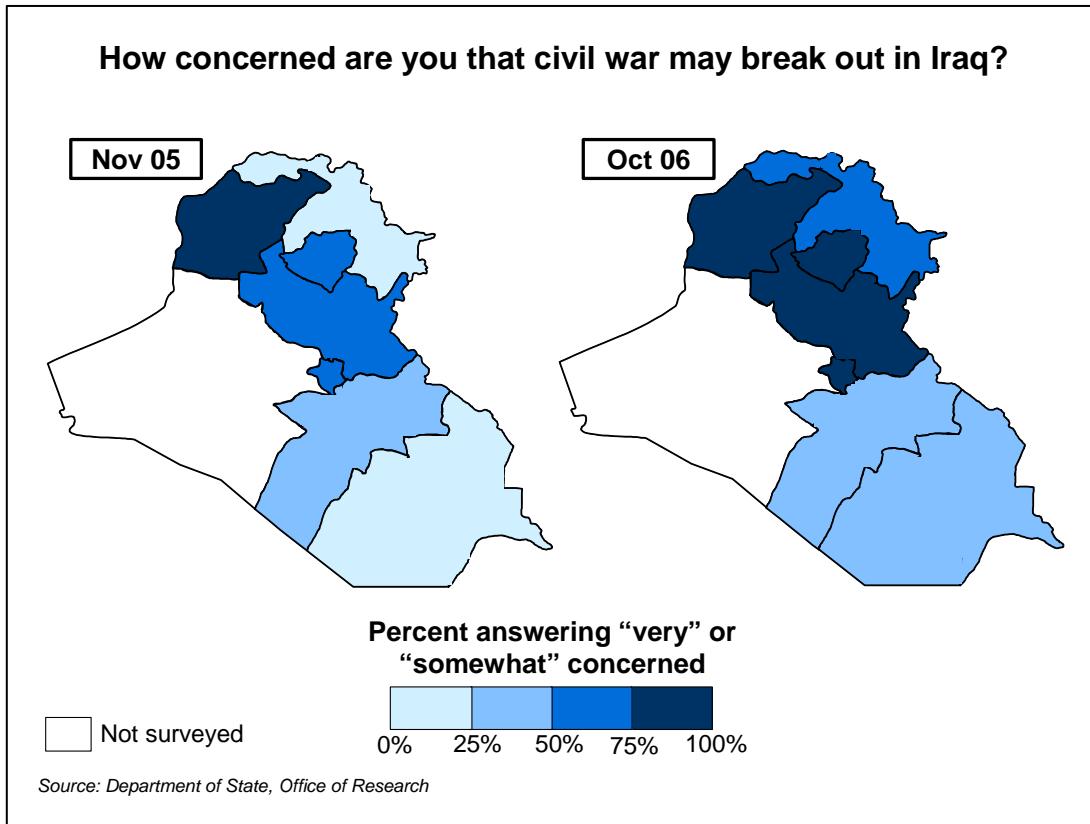
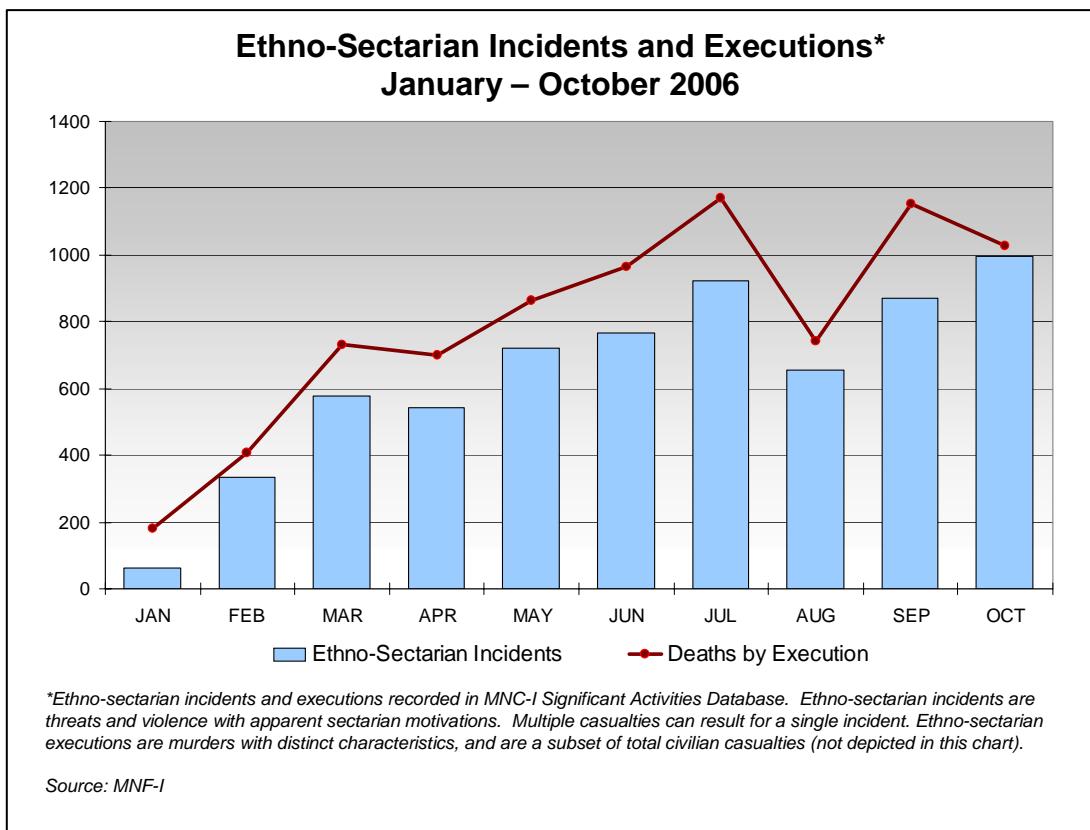
This past quarter, there was an average of one attack per week on infrastructure providing essential services, such as electrical power, water, and fuel. The attack rate is down from an average of 13 attacks per week in the pre-sovereignty period of April to June 2004. However, the present rate of infrastructure attacks, coupled with a security environment that has hampered repairs, weak ministerial oversight, and ineffectual rapid-repair teams, has proved a major impediment to improving the supply of essential services. Since poor delivery of essential services adversely affects the legitimacy of the government in the minds of the civilian population, Iraq's infrastructure will remain a high-value target for a ruthless enemy that wages war against the Iraqi people.

1.3.6 Concerns of Civil War

At the present time, sustained ethno-sectarian violence is the greatest threat to security and stability in Iraq. Competition between sects and ethnic political groups for economic and political power has become a dominant feature of the political landscape. Such violence is tragic and tends to undermine the rule of

law and discredit the elected government. However, the situation in Iraq is far more complex than the term "civil war" implies; attempts to define the several and diverse sources of violence as civil war are not helpful to Iraqi efforts to arrive at political accommodations.

However, conditions that could lead to civil war do exist, especially in and around Baghdad, and concern regarding civil war runs high among the Iraqi populace.⁸ Within the four provinces where the overwhelming majority of attacks occur (Anbar, Baghdad, Salah ad Din, and Diyala), violence remains localized to mixed neighborhoods. The Iraqi institutions of the center are holding, and members of the current government have not openly abandoned the political process.⁹ Decisive leadership by the Government of Iraq, supported by the United States and its Coalition partners, could mitigate further movement toward civil war and curb sectarian violence. Iraqi leaders must take advantage of the popular support for a unified Iraq and the opposition to violence to form institutions that take responsibility for Iraq's security.



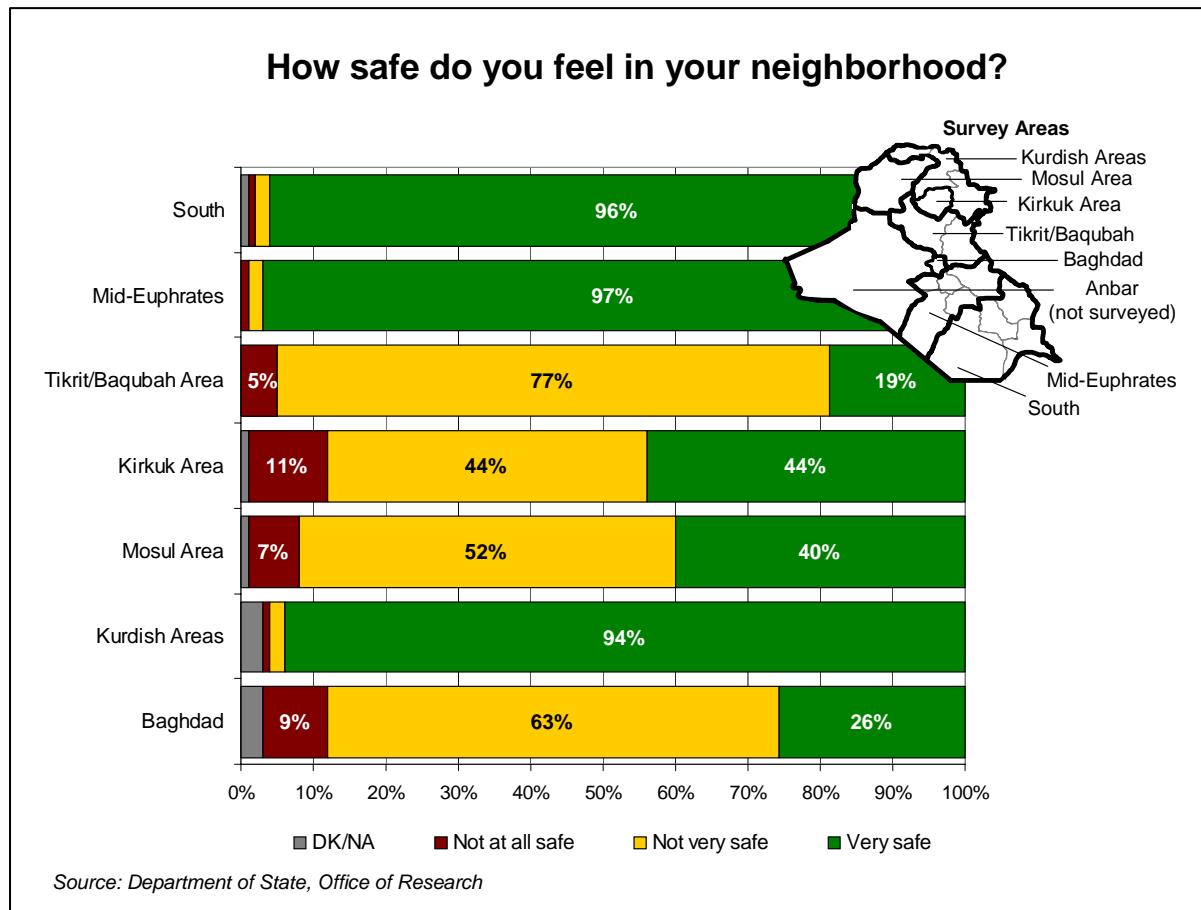
1.3.7 Public Perceptions of Security

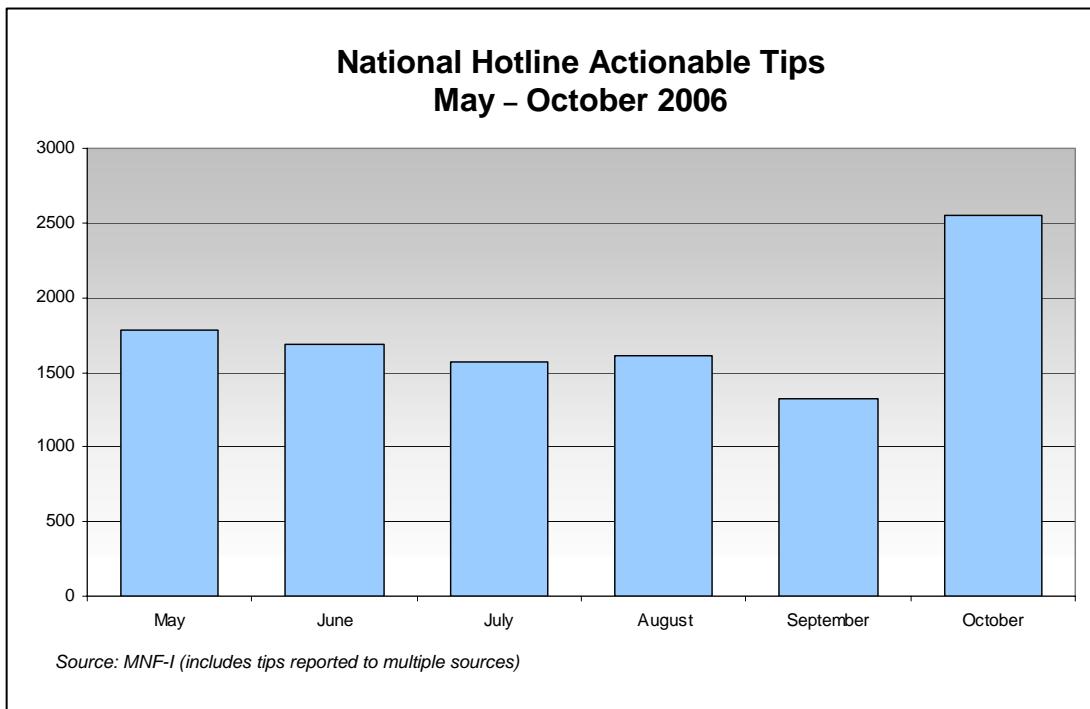
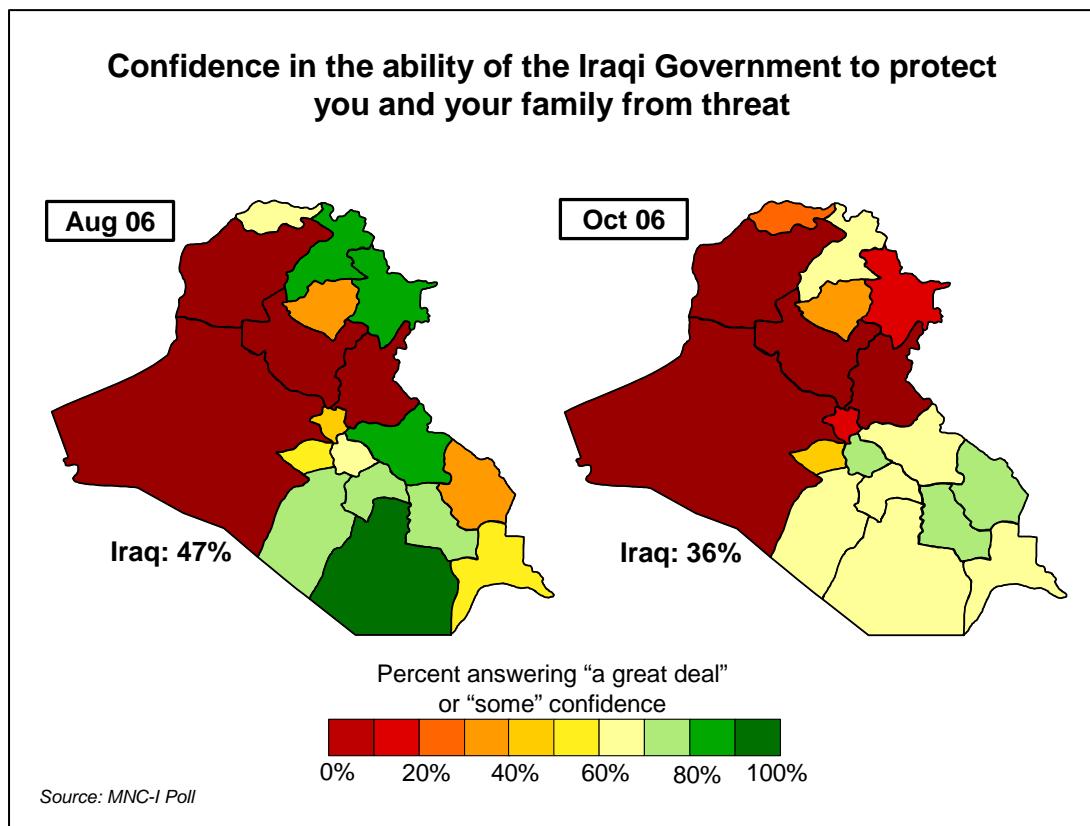
Security is as much a matter of perception as it is actual events. Nationwide, 60% of the Iraqi people expressed a perception of worsening conditions.¹⁰ This is consistent with polling data described in previous reports. However, at the local level, many Iraqis are much more positive. In the south, the mid-Euphrates, and Kurdish areas, more than 90% of Iraqis report feeling very safe in their neighborhoods,¹¹ a notable improvement over similar data reported a year ago.¹² In contrast, perceptions of local security in violence-prone areas, such as Tikrit and Baghdad, have worsened.

The national perception of worsening conditions for peace and stability within Iraq has been accompanied by erosion of confidence in the ability of the Government of Iraq to

protect its citizens.¹³ One-quarter of the population believes that the Iraqi Army and the Iraqi Police are corrupt and driven by sectarian interests,^{14,15} although these views vary widely by province, as do opinions on confidence in the Iraqi Army/Iraqi Police to improve the situation.¹⁶ Alleviation of security concerns will reduce the need for standing militias and increase public pressure for local tribes and militias to join the reconciliation process.

Public communication with public safety authorities is an indirect measure of public confidence in government and support for the rule of law. Calls to the intelligence hotline continue to show strong interest in combating terrorism and criminal activity and confidence of the population that the government will respond.





1.4 Transferring Security Responsibility

Security transition phases were discussed at length in the August 2006 report.

The Joint Committee to Transfer Security Responsibility (JCTSR) has developed criteria to guide the transfer of security responsibility. Recommendations for transfer include an assessment of conditions in four categories: Threat Assessment, ISF Readiness, Local Governance Capability, and MNF-I Ability to Respond Quickly to Major Threats (if needed). The appropriate Multi-National Force division commander and provincial governor, assisted by representatives of the Iraqi Ministries of Interior and Defense and U.S. and United Kingdom Embassies, conduct monthly assessments of provinces and of provincial capitals. Once a decision is made to transfer security responsibilities, the JCTSR provides oversight of the development of transition directives, develops a public affairs plan, and arranges a post-transfer security agreement between MNF-I forces and provincial governors.

The President of the United States and the Prime Minister of Iraq agreed to form a high-level working group dedicated to accelerating the pace of achieving three common goals: training of the ISF, Iraqi assumption of operational control of its military forces, and transfer of security responsibilities to the Government of Iraq. To this end, three committees were formed. The first addressed training and resources; the second, security transfer; and the last, security coordination. All three committees are scheduled to report their findings to the Iraqi Prime Minister by the first week in December.

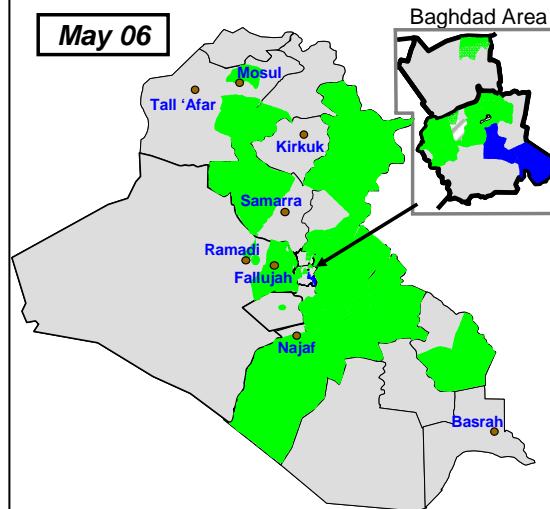
Using the acceleration report as a starting point, the objective for the high-level working group is to find, address, and remove impediments to the transfer of security responsibilities. Importantly, even after the completion of the transfer of security responsibilities, there will be some form of long-term security relationship between the U.S. Government and the Government of Iraq that serves the interests of both parties, the region, and the world at large.^g

1.4.1 Progress in Assuming Leadership in Counter-Insurgency Operations

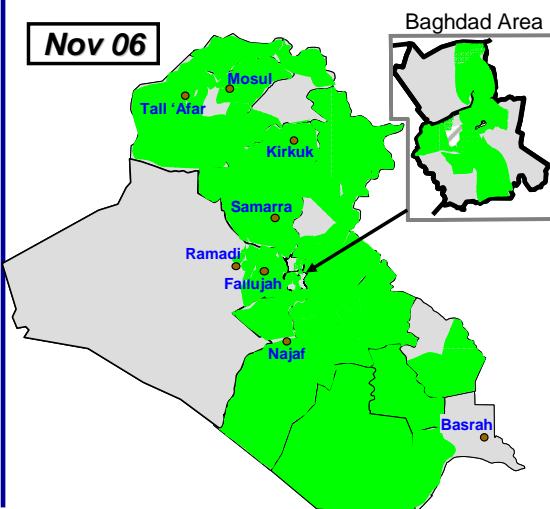
The ISF are increasingly taking the operational lead, assuming primary area security responsibility, and demonstrating an increased capability to plan and execute counter-insurgency operations. A unit can assume the lead once it has been thoroughly assessed and has demonstrated that it is capable of planning and executing combat operations. As of November 13, 2006, 6 Division Headquarters, 30 Brigade Headquarters, and 91 Iraqi Army battalions had assumed the lead for counter-insurgency operations within their assigned areas of operations. In September 2006, Multi-National Corps-Iraq (MNC-I) transferred command and control of the Iraqi Ground Forces Command (IGFC) to the Ministry of Defense Joint Headquarters. Joint Headquarters also assumed command and control of the Iraqi Air Force and Navy, and IGFC assumed command and control of two Iraqi Army divisions (4th and 8th). The transition of a third division is planned for early December 2006. Although these units lead security in their respective areas of operations, most still require substantial logistics and sustainment support from Coalition forces. Of the MOI's National Police's 27 authorized battalions, 5 are in the lead; of 9 brigade headquarters, 1 is in the lead.

Iraqi Army and National Police with Lead Responsibility for Counter-Insurgency Operation in Their Areas

May 06



Nov 06



Component	DIV HQs	BDE HQs	BNS
Iraqi Army	2	14	57
National Police	0	2	6
Total	2	16	63

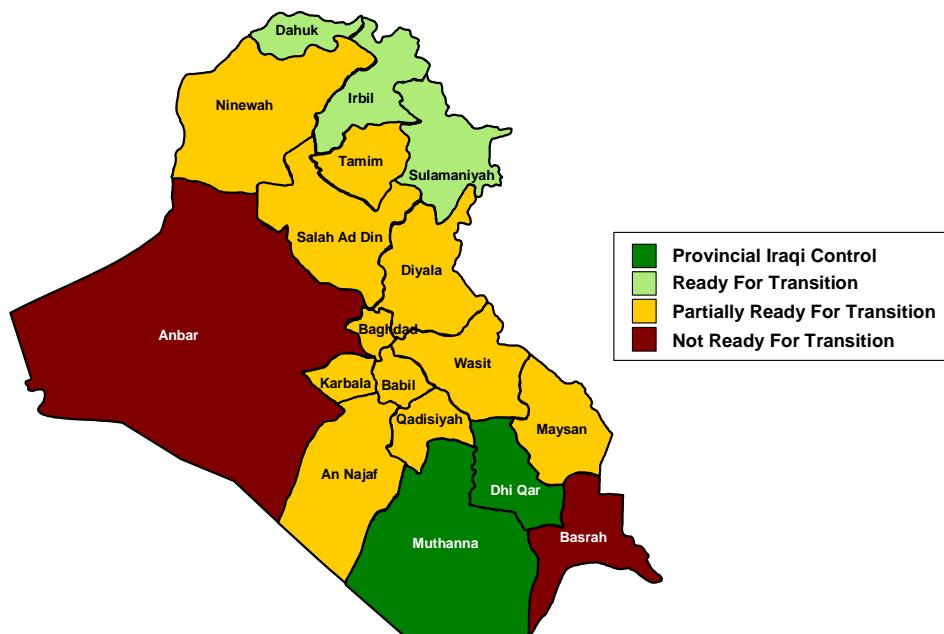
■ Iraqi Army Lead
■ National Police Lead

Source: MNC-I, C3 as of May 7, 2006

Component	DIV HQs	BDE HQs	BNS
Iraqi Army	6	30	91
National Police	0	0	2
Total	6	30	93

Source: MNC-I, C3 as of November 13, 2006

Provincial Security Transition Assessment (PSTA) As of November 1, 2006



Source: MNF-I

The Coalition is focusing on improving the proficiency of all MOD and MOI units, primarily through the efforts of Military, Police, National Police, and Border Transition Teams. These teams, composed of 6,000 advisors in more than 420 teams, are embedded at all levels of Iraqi units in all major subordinate commands. The Coalition multinational division accounts for 10%–20% of all teams; the United States provides the rest.

1.4.2 Process for Implementing Provincial Iraqi Control

The transfer of security responsibility from Coalition forces to the Government of Iraq reflects the capability of the Government of Iraq to fulfill its sovereign responsibility in the most fundamental, vital interest of any state—to protect its citizens and safeguard its territory. As Iraqis take on more responsibility for security, Coalition forces are increasingly moving into supporting roles, and MNF-I will maintain sufficient forces on the ground to help Iraq consolidate and secure its gains.

In September 2006, responsibility for security in Dhi Qar Province was transferred from MNF-I to the provincial government and civilian-controlled Iraqi Police. Dhi Qar is the second of Iraq's 18 provinces to be designated for transition to Provincial Iraqi Control (PIC).¹⁷ The joint decision of the Government of Iraq and MNF-I to hand over security responsibility is the result of the Dhi Qar civilian authorities' demonstrated ability to manage their own security and governance duties at the provincial level.

Three southern provinces—An Najaf, Wasit, and Maysan—are projected to be ready to assume security responsibility by February 2007. In the north, pending successful negotiations between the Government of Iraq and the Kurdistan Regional Government to recog-

nize the Peshmerga as “guards of the region” in accordance with the Iraqi Constitution, MNF-I and the Government of Iraq intend to transfer security responsibility for the provinces of Dahuk, Irbil, and Sulamaniyah to the Kurdistan Regional Government by the end of December 2006. The remainder provinces are expected to achieve PIC in 2007.

1.4.3 U.S. Force Adjustments

As security conditions improve and as the ISF becomes more capable of securing their own country, Coalition forces will move out of the cities, reduce the number of bases from which they operate, and conduct fewer visible missions. The Iraqi Army still suffers from shortcomings in its ability to plan and execute logistics and sustainment requirements. Thus, it will continue to rely heavily on Coalition forces for key assistance and capacity development, including quick-reaction reinforcement as required and provision of critical enablers, such as intelligence, air reconnaissance, and airlift support.

1.4.4 MNF-I Basing Construct

MNF-I is consolidating its locations in Iraq to reduce its military basing requirements using a “bottom-up” conditions-based process to synchronize basing requirements with Coalition forces requirements and the projected command-and-control structure. MNF-I seeks to minimize its presence in major cities while developing the flexibility and maintaining the force level required to support other elements in Iraq, including Coalition partners, Provincial Reconstruction Teams, Transition Teams, and other supporting entities, and Department of State activities. This process will maximize support through a minimum number of strategically located forward operating bases (FOBs) and Convoy Support Centers. As of October 2006, MNF-I had handed over 52 of its 110 FOBs to Iraqi authorities. Three more FOBs are scheduled for transfer to the Government of Iraq/ISF by January 2007.

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2. Iraqi Security Forces Training and Performance

By the end of 2006, the United States and its Coalition partners will have met their force generation targets, while continuing efforts to expand the size and capability of the Iraqi Security Forces to meet emergent requirements. Since August 2006, about 45,000 additional Iraqi soldiers and police have completed initial training and equipping, bringing the total number to 322,600. The actual number of present-for-duty soldiers is significantly lower, due to scheduled leave, absence without leave, and attrition. The police have also suffered significant attrition of personnel who have been through Coalition training, but provincial and local governments have hired tens of thousands of additional police outside the train-and-equip program, which has more than offset this attrition.

2.1 Assessed Capabilities

Of the 112 Iraqi Army combat battalions, 104 are conducting operations at varying levels of assessed capability and 8 are forming. There are 2 Special Operations Battalions, both conducting operations. MNSTC-I has agreed to train and equip 11 Strategic Infrastructure Battalions (SIBs). Of those 11, 6 are conducting operations and 5 are forming. The MOD has stood up an additional 6 SIBs, for a total of 17. Additionally, 27 National Police battalions are operational.

Perhaps the most significant shortcoming in both MOD and MOI forces' capabilities is in planning and executing their logistics and sustainment requirements. Factors underlying this deficiency include inadequate levels of sustainment stocks and limited capacity of the MOD to execute fully the planning/acquisition/sustainment cycle.¹⁸ The Department of Defense is increasingly focusing on addressing these challenges in order to reduce Iraqi forces' reliance on U.S. support and sustainment. For example, the 13th Sustainment

Current Number of Trained* Iraqi Security Forces	
Component	# Trained
Ministry of Interior Forces	
Police	~135,000
National Police	~24,400
Border Enforcement	~28,300
Dignitary Protection	~500
MOI Objective	188,260
MOI Subtotal	~188,200
Ministry of Defense Forces	
Army	~118,500
Support Forces	~12,400
Special Operations	~1,500
Air Force	~900
Navy	~1,100
MOD Objective	137,478
MOD Subtotal	~134,400
Total Trained ISF	~322,600

* These numbers are not the same as those present for duty.

Data as November 13, 2006

Command (Expeditionary) is partnered with Iraqi logistics units, such as the Iraqi Army's Motorized Transport Regiments, to help develop Iraqi Army divisions' support capabilities. Embedded civilian advisors, hired under a contract with MPRI, Inc., are assisting senior MOD officials in developing the MOD's capacity to organize, train, equip, sustain, and upgrade its forces.

Since the last report, the Government of Iraq has increasingly turned to the U.S. Defense Security Cooperation Agency to execute equipment and sustainment cases for both the MOD and the MOI through Foreign Military Sales cases. In the past two months, Congress has been notified of US\$1.91 billion of such cases. This does not include any funding for the Maliki Peace Initiative. The Government of Iraq's expanded use of Foreign Military Sales is intended to provide a way for both the MOD and the MOI to spend their money on "total package" procurements without risking loss of funds to the corruption that hampers Government of Iraq contracting.

2.2 Ministry of Interior

MOI forces consist of the Iraqi Police Service, the National Police, the Department of Border Enforcement, the Center for Dignitary Protection, and the MOI's portion of the Facilities Protection Service. (The MOI is planning for the eventual incorporation of an estimated 150,000 members of the Facilities Protection Service who currently reside in other ministries.)

Currently, the Provinces of Muthanna and Dhi Qar exercise Provincial Iraqi Control, where the Iraqi Police Service operates independently of Coalition forces. Most provinces are projected to be able to take the lead in their own security by the summer or fall of 2007. Nevertheless, progress within Iraqi civil security forces continues to be hampered by immature logistics and maintenance support systems, sectarian and militia influence, and the complex security environment.

Police Transition Teams, National Police Transition Teams, Border Transition Teams, and Customs and Border Support Teams mentor Iraqi civil security forces.

Most specialized police units, such as the Criminal Evidence Directorate, the Criminal Records Directorate, and the Improvised Explosive Device Defeat Unit, have met their respective training objectives. The Criminal Investigations Division and the National Intelligence and Investigation Agency are expected to meet their force generation objectives in 2007. It should be noted that proposals are being discussed by the MOI and MNSTC-I that would add several thousand forensic specialists to Iraq's police force.

2.2.1 Iraqi Police Service

The Iraqi Police Service is composed of patrol, traffic, station, and highway police

assigned throughout Iraq's 18 provinces. Its mission is to enforce the law, safeguard the public, and provide internal security at the local level. The Iraqi Police Service constitutes the majority of MOI forces.

Iraqi Police Service Training and Personnel

The Civilian Police Assistance Training Team has trained approximately 135,000 Iraqi Police Service personnel, an increase of more than 21,200 since publication of the August 2006 report. The MOI continues to struggle with personnel management. Lack of standardized personnel strength reporting from stations up their district and provincial chains causes lack of transparency on the total number of Iraqi police officers on duty on any given day. The only numbers available are the payroll numbers submitted by the provinces, which, in many cases, are higher than the actual numbers of Iraqi police officers on hand. As a result, it is unclear how many of the forces trained by the Civilian Police Assistance Training Team are still employed by the MOI, or what percentage of the 180,000 police thought to be on the MOI payroll are Civilian Police Assistance Training Team-trained and equipped. The Coalition estimates that attrition will remain approximately 20% per year as long as fighting in Iraq persists. The MOI reports paying death benefits for more than 6,000 police officers since the fall of the Ba'athist regime in May 2003.

As of mid-October 2006, approximately 88,000 police recruits had graduated from the 10-week basic training course. Police with prior experience attended a 3-week course, the Transitional Integration Program, instead of the basic course. A similar course, the Officer Transitional Integration Program, was used to train junior leaders. The Transitional Integration Program includes training on human rights, defensive tactics, democratic

policing, first aid, patrol procedures, firearms (9mm and AK-47), and anti-terrorism. The Officer Transitional Integration Program course curriculum includes democratic policing, human rights, first aid, police ethics, supervision and leadership, use of force, firearms (9mm and AK-47), leadership communications, problem-solving skills, anti-terrorism, patrol procedures, critical thinking for officers, and police investigations. Approximately 49,100 police officers graduated from the Transitional Integration Program and Officer Transitional Integration Program programs.

Appropriate personnel distribution is a challenge. Certain geographic areas have a shortage of trained police, while additional hiring by provincial leaders in other areas has resulted in force overages. Provincial governors are authorized to hire more Iraqi Police Service officers than MNSTC-I has agreed to train and equip, but the MOI and the governors are responsible for the extra officers' equipment and training. Police are local and generally unwilling to move away from their communities, so these "extra" police officers cannot be cross-leveled to understaffed provinces. The Government of Iraq does not consider this a problem and, as the Coalition transfers the institutional training base to MOI control, training of these "extra" local police will continue.

Iraqi Police Service Operations and Mentoring

There are 177 Police Transition Teams (PTTs) (14 Provincial, 54 District, and 109 Station) assisting the development of the Iraqi Police Service. Each team has approximately 11–15 members; 3 or 4 members of each team are International Police Liaison Officers (IPLOs) hired as contractors by the U.S. State Department and the rest are typically military personnel, many of whom are Military Police.

To conduct their missions, PTTs travel to stations to coach the Iraqi police and to conduct joint patrols with them. Since the Samarra Golden Mosque bombing in February 2006, Iraqi Police Service training has emphasized joint patrol operations. IPLOs provide the civilian law enforcement expertise in technical aspects of criminal investigation and police station management.

Five additional Military Police companies deployed in July. Three were employed to provide additional PTT support for Baghdad security operations, and two have been temporarily partnered with the National Police to conduct joint security operations.

Each month, PTTs assess the operational readiness of a portion of the police forces using the Transition Readiness Assessment process. This process evaluates the ability of the police to perform the core functions required for effective law enforcement and community policing. Key assessment criteria include manning, leadership, training level, equipment, facilities status, force protection measures, and station ability to conduct independent operations. The shortage of PTTs limits mentorship opportunities for the Iraqi Police Service in 13 of Iraq's 18 provinces. Most recently, PTTs were reallocated to Qadisiyah in an effort to curb Iraqi Police Service ineffectiveness in dealing with militias. Despite early Iraqi Police Service resistance, PTTs increased the level of active community policing through joint PTT/Iraqi Police Service patrols, thereby improving the reputation of the police. Continued PTT presence and participation at Iraqi Police Service stations is needed to improve police readiness and will sustain progress in reforming community policing in Baghdad's neighborhoods.

Iraqi Police Service Recruiting and Vetting

The Iraqi Police Service has screened more than 250,000 MOI employees, checking fingerprints against Ba'ath Party and Saddam-era criminal records. Of these, 8,000 were reported as possible derogatory matches, and 1,228 employees were dismissed. More than 58,000 police candidates have been screened for literacy, 73% of whom passed and were allowed to enter basic training.

Militia influence exists in the Iraqi Police Service, particularly in Baghdad and several other key cities, but no figures on the number of former or active militia members on the rolls exist. Because of the decentralized nature of the militias, a database on militia members is not maintained, and there is currently no screening process specifically designed to ascertain militia allegiance. Recruits take an oath of office denouncing militia influence and pledging allegiance to Iraq's constitution.

Iraqi Police Service Equipment

The Iraqi Police Service is equipped with AK-47s, PKCs, Glock pistols, individual body armor, high-frequency radios, small and medium pick-up trucks, and mid-sized SUVs. For Baghdad and nine other key cities, more than 97% of authorized vehicles and weapons are currently fielded; 100% are projected to be fielded by the end of 2006. The Iraqi Police Service in all 18 provinces has approximately 77% of authorized equipment and is expected to have 100% by the summer of 2007. There is currently a shortage of helmets in the Iraqi Police Service due to production and procurement schedules from U.S. manufacturers. Distribution of the authorized helmets to the Iraqi Police Service will be completed by July 2007.

These figures pertain only to MOI forces generated as part of the Objective Civil

Security Force. It is unknown how much equipment the MOI has purchased for additional Iraqi Police Service staff and for staff authorized by provincial governors.

Focus and priority are changing from equipping to sustainment and accountability. Although MNSTC-I tracks how much equipment has been issued to the Iraqi Police Service, the Iraqi Police Service lacks the ability to report equipment status or serviceability. The most accurate reports on equipment quantities and serviceability are provided by the PTTs. MNSTC-I continues to work with the Iraqi Police Service to implement standardized reporting and tracking processes and mechanisms.

Iraqi Police Service Leadership

The Iraqi Police Service has three 2-week leadership courses to improve the quality of its leaders. The First Line Supervisor Course is designed for company grade officers, the Intermediate-Level Course is designed for field grade officers, and the Senior-Level Course is designed for General Officers. Courses cover a wide array of topics, ranging from management to ethics to field training. To date, 691 officers have completed the First Line Supervisor Course and 662 officers have completed the Intermediate-Level Course.

In addition to operational training courses, the MOI conducts a series of courses designed for staff officers. The Intermediate Staff Officers Course, started in September 2006, teaches senior lieutenants and junior captains staff operational functions. To date, 14 officers have completed this course. The Advanced Staff Officers Course, which began in November 2006, will teach senior captains and majors field-grade staff functions. The Senior Staff Officers Course and the Executive Officers Course—designed for colonels and generals—are scheduled to begin in early 2007.

The Officer Education System seems to develop junior leaders loyal to the Iraqi people. However, certain senior leaders are products of the former regime and continue to view leadership as an entitlement, not a responsibility. These officers have a negative influence on junior officers and fail to reinforce the leadership lessons taught in the Officer Education System. As unprofessional, corrupt, or incompetent officers are identified, they are removed.

2.2.2 National Police

The National Police is a bridging force, allowing the Minister of Interior to project power across provinces. The National Police is also charged with maintaining law and order while an effective community police force is developed. To date, the National Police has trained and served in a primarily military role, but a plan is under way to reorient it toward police functions (see below).

Weak or corrupt leadership, militia influences, and a lack of logistical and maintenance sustainment programs have affected the capability of these units. Despite the force generation effort, transition to Iraqi control will be slow, as the MOI implements effective positive changes.

National Police Training and Personnel

As of November 13, 2006, 24,400 National Police have completed entry-level training. As with the Iraqi Police Service, the National Police payroll is significantly larger than authorized. There are currently more than 29,000 National Police on the MOI payroll, but it is unknown how many of the trained-and-equipped National Police have left the

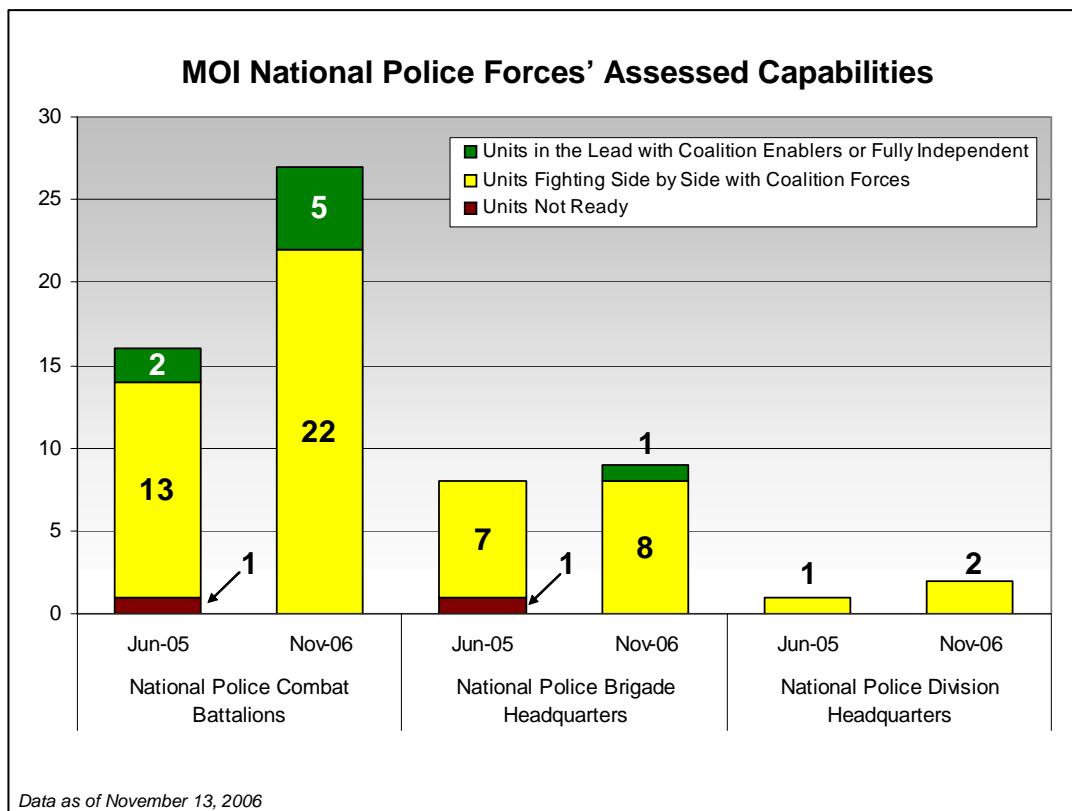
MOI. The training figure cited above exceeds the authorized initial training objective, with the excess serving as replacements for National Police who quit or are killed.

Reorienting the National Police

Although they are called police, the National Police have been trained primarily for military operations, and have received little traditional police training. They have proven useful in fighting the insurgency, but frequent allegations of abuse and other illegal activities have diminished the Iraqi public's confidence in the National Police. For these reasons, the Government of Iraq decided to conduct a four-phased transformation of the National Police into a police organization that provides the Government of Iraq with cross-province policing capability.

The National Police Transformation and Retraining program began in October 2006. All National Police units are undergoing a 4-week (minimum) training program held at Numaniyah Academy.

National Police reform includes reorganization. The reorganization resulted in the disbandment of the two division headquarters, leaving a National Police Headquarters with nine subordinate brigades. The final structure of the National Police is being analyzed by the MOI and is still to be determined. The National Police Headquarters provides command and control, staffing, equipping, training, and sustainment for these forces. It also commands the two training and professional development academies at Camp Solidarity and Camp Dublin.



National Police Operations

Currently, all National Police combat battalions not enrolled in the National Police Transformation and Retraining program are conducting counter-insurgency operations to support the Baghdad Security Plan. Two National Police combat battalions have been assigned security lead for their areas of responsibility. Thirty-nine National Police Transition Teams (NPTTs) now support the development of National Police units by mentoring, training, and facilitating communication with Coalition forces. NPTTs assess the readiness and operational capability of the National Police, much as Military Transition Teams do with Iraqi Army units.

National Police Recruiting and Vetting

The MOI is responsible for recruiting and vetting the National Police force, assisted by Coalition forces advisors. Extensive re-vetting of currently serving National Police is part of the Phase II program at Numaniyah.

This incorporates ID checks, fingerprints, biometrics, a literacy test, and criminal intelligence background checks. There is no specific screening for militia affiliation. New recruits will be vetted in the manner described above and approved prior to undergoing any training. A vetting committee, consisting of senior National Police leaders and MOI officials, has been set up at Camp Solidarity.

National Police Equipment

National Police are equipped with small arms, medium machine guns, rocket-propelled grenades, medium and heavy pick-up trucks, and SUVs. The mechanized battalions are equipped with wheeled Armored Security Vehicles. The National Police is expected to have all of its authorized equipment by the end of December 2006. It is the responsibility of the MOI to equip National Police hired in excess of the agreed authorization.

Equipment accountability has been a problem in the National Police. MNSTC-I tracks the quantity of equipment it has issued to the National Police and relies on NPTTs to report periodically the status of on-hand equipment. Up to this point, there has been no established process to make these reports. Iraqi and Coalition forces leadership redoubled National Police focus on property and personnel accountability during the Quick Look Inspections completed during this reporting period. National Police leadership has taken aggressive steps to improve controls in this key area. Focus and priority are changing from equipping to sustainment, with equipment accountability and maintenance taking center stage in 2007.

2.2.3 Department of Border Enforcement and Department of Ports of Entry

The Department of Border Enforcement (DBE) and the Department of Ports of Entry (POE) are collectively charged with controlling and protecting Iraq's borders. The DBE is organized into 5 regions, 12 brigades, and 38 battalions, and includes forces that man 405 border structures, of which the Coalition has funded 258.

DBE Training and Personnel

MNSTC-I has trained 28,300 DBE personnel, an increase of 4,400 since the previous report. As with the Iraqi Police Service, the DBE payroll exceeds its authorized initial training objective. It is unknown how many untrained DBE personnel are on the MOI payroll, and how many of the trained-and-equipped DBE personnel have left the MOI.

DBE and POE Operations

The DBE is supported by 28 Coalition Border Transition Teams (BTTs). The 11-man BTTs mentor and support the development of the border units. Additionally, U.S. Department of Homeland Security Customs and Border Support Teams mentor and monitor Border

Enforcement personnel at critical POEs. The BTTs and the Customs and Border Support Teams are critical to the development of the DBE and POEs.

Since April 2006, DBE and POE units have remained stagnant in Transition Readiness Assessment progression, due to the slow issue of equipment, logistics support problems, and personnel shortages at the battalion and border fort level.

The DBE is in the lead on Iraq's borders, backed up by Iraqi Army units. Force generation goals are on schedule for completion by December 2006. These goals include completion of all Coalition planned border forts and headquarters buildings, assignment of trained border policeman, and issue of critical equipment. Remaining issue of non-essential equipment, other logistics facilities, and infrastructure will continue into 2007.

In February 2006, MNF-I supported the accelerated development of the POE through the deployment of a combined Border Support Team, consisting of customs border protection agents and BTTs. The Border Support Team will need to stay in place through 2007 because of the lack of POE security and the lack of standardized policy at critical POEs. U.S. Department of Homeland Security customs support is essential to improve Iraq border security.

Thirteen of the 14 land POEs are functional. There has been progress in designating POE standard organizations, delineation of responsibilities, and development of detailed policies and procedures. U.S. Department of Homeland Security border security experts, in coordination with MNSTC-I, have had an important impact on POEs, particularly along the Syrian and Iranian borders.

DBE Personnel, Pay, and Incentives

MNSTC-I has trained and equipped approximately 28,300 DBE and POE personnel. However, over-strength regional and brigade-level headquarters divert personnel away from border forts. The DBE has begun cross-leveled of excess personnel. Promotion opportunities across DBE units are improving, and there have been fewer pay problems. There are still discrepancies between MOI payroll numbers and actual assigned strength, and the Iraqi leadership is handling these issues with official investigations of the DBE leadership.

2.2.4 Center for Dignitary Protection

Training and equipping of the Center of Dignitary Protection is complete. MNSTC-I trained approximately 500 personnel to serve as the core of the Personal Security Details for Iraq's government leaders. It is not known how many of these trained-and-equipped personnel are still serving.

2.2.5 Facility Protection Service

There are an estimated 17,800 Facility Protection Service personnel who work for the MOI. Half of them work in Baghdad. The MOI's Facility Protection Service has established better regulation, training, and discipline than have Facility Protection Service staff in other ministries, and a higher proportion of them—possibly half—have completed the Facility Protection Service basic training course.

There are more than 150,000 Facility Protection Service personnel who work for the other 26 ministries and 8 independent directorates, such as the Central Bank of Iraq. These forces act in two capacities: as security guards at government buildings and as Personal Security Details to protect important government ministry officials.

There is anecdotal evidence that some Facilities Protection Service personnel are unreliable and, in some cases, responsible for violent crimes and other illegal activity. Recognizing the inadequate performance and poor reputation of many of these employees, the Prime Minister announced on August 24, 2006, that the majority of the Facilities Protection Service would be consolidated into a unified organization accountable to the MOI. This decision led to a range of activities, all initiated by the Government of Iraq, to create a national headquarters for the Facility Protection Service, codify the relationships among the different ministries' Facilities Protection Service forces, and standardize uniforms and vehicle markings, recruiting, training, terms and conditions of service, and responsibilities. Eight reviewing committees were established to assess the current status of the organization and to make recommendations for future change.

It is anticipated that once thorough checks of all employees are complete the size of the organization will be reduced significantly. An early test case review was recently concluded with the Central Bank of Iraq's 1,800 Facility Protection Service employees. Some 800 failed to show for work, suggesting that they were either ghost employees or otherwise unfit for such employment. Based on this experience, it is anticipated that a nationwide review of Facility Protection Service employees will result in approximately one-third being removed from the Consolidated Facility Protection Service payroll. The Government of Iraq has taken the lead in solving this complex problem.

2.2.6 MOI Capacity Development

Embedded transition teams continue to provide monthly Transition Readiness Assessments on the MOI's ability to perform key ministry functions, such as developing and implementing plans and policies, intelligence,

personnel management, logistics, communications, and budgeting. These categories are assessed using both quantitative and qualitative metrics. The MOI is currently assessed as being partly effective overall. The Coalition Police Assistance Transition Team's MOI Transition Team works closely with the MOI on developing and assessing these capabilities. The MOI Transition Team is composed of just over 100 advisors, of whom 7 are U.S. Department of State employees, 3 are from the U.S. Department of Justice, about 45 are U.S. military personnel, just over a third are MPRI employees, and the rest are non-U.S. military and civilian personnel.

MOI Logistics

Logistics capabilities, particularly vehicle maintenance, are still ineffective, but efforts to improve them are under way. Coalition and Iraqi logisticians are aligning Coalition efforts with MOI Headquarters processes to strengthen MOI logistics capabilities. The Coalition and the MOI are gaining a common understanding of the future logistics structure and support.

Both the Director General for Logistics and the Director General for Vehicles are developing an equipment accountability system for equipment issued to the MOI Headquarters and the National Police. They do not maintain accountability of equipment for the Iraqi Police Service or border forces. In an effort to improve accountability and mentor the Iraqi logisticians within the Iraqi Police Service and border forces, MNF-I has begun coordinating policies and procedures for the National Police, the Iraqi Police Service, and DBE forces. The process will improve accountability of Coalition-provided equipment. A 6-month vehicle maintenance contract that includes vehicle recovery and multiple maintenance facilities for the city of Baghdad was established. It is anticipated

that this contract will return 50 vehicles per week to mission-capable status. The contract also provides training for MOI logisticians.

Three spare parts contracts funded by the Coalition were awarded. They have distributed US\$950,000 in spare parts to the National Police, the Iraqi Police Service, and DBE. Construction of an MOI National Storage and Maintenance Facility started in June 2006, with estimated completion in December 2006. Currently, the Coalition is training MOI personnel to assume control and to manage the main storage warehouse by December 2006.

Fuel shortages continue to hamper Iraqi Police Force operations. The long-term solution is predicated on improving refinery and pipeline infrastructure, continuing imports, developing greater storage and distribution capabilities, and increasing the ability to distribute requested allocations. Coalition forces are working with MOI staff and continue to identify short- and long-term improvements.

MOI Life Support

The Prime Minister and Ministry of Finance agreed that all members of the Iraqi Police Service, Facilities Protection Service, and National Police will receive daily food stipends of 7,000 Iraqi dinar (~US\$5).

MOI Absenteeism

Absenteeism at the MOI is high. This is a function of authorized absence (leave, school, sickness) and unauthorized absences.

Sectarian Issues at the MOI

The Iraqi Police Service is generally representative of the demographic makeup of its neighborhoods, although there are a few neighborhoods in Baghdad and a few other cities where the percentage of Shi'a in the Iraqi Police Service is disproportionately

high. Initial estimates, compiled during implementation of the National Police Transformation and Retraining program, show that the National Police are disproportionately Shi'a. The U.S. Government is committed to helping the Government of Iraq create an MOI that reflects the diversity of the Iraqi people. The goal is to create ethnically integrated units at the national level, while still allowing local police to reflect the ethnic composition of the communities in which they serve. MNSTC-I continues to advocate recruiting initiatives targeting Sunnis to improve diversity and to provide a force that will impart evenhanded law enforcement.

Corruption in the MOI

During the first nine months of 2006, the MOI Inspector General conducted 1,355 corruption-related investigations. Of these, 904 (67%) were closed. Of the 904 closed investigations, 253 (28%) were forwarded to the Commission on Public Integrity or to a court for adjudication, 577 (64%) were closed because of insufficient evidence, and 74 (8%) were handled as internal MOI discipline. Efforts aimed at improving the Inspector General's capability to conduct professional investigations continued at the Specialized Advance Training Unit at the Baghdad Police College, where 81 Inspector General investigators received formal training. It is expected to take until January 2008 to train the entire Investigations Directorate at the basic investigator level.

During this same 9-month period, MOI Internal Affairs opened 2,840 corruption-related investigations. Of these, 603 (21%) resulted in disciplinary punishment, 199 (7%) were forwarded to the Commission on Public Integrity or to a court for subsequent adjudication, 26 (0.9%) were closed because of

insufficient evidence, and 40 (1.4%) were handled as internal MOI discipline. The other 1,978 (70%) remain open pending Judicial Review, Ministerial Review, or the completion of further investigation by Internal Affairs. Additionally, the Internal Affairs Directorate conducted 228 human rights-related investigations. Of these, 76 (33%) resulted in disciplinary punishment and 10 (4%) were closed because of insufficient evidence. The other 142 cases (62%) also remain open pending Judicial Review, Ministerial Review, or further investigation. In 2006, Internal Affairs initiated a specialized training curriculum tailored to the needs of the Internal Affairs investigators. Through September 2006, 650 Internal Affairs officers had received specialized training out of an estimated 1,000 full-time employees (65%). Training will continue until all Internal Affairs officers are trained. This is expected to be completed as early as March 2007. Internal Affairs is at the forefront in the fight against corruption in the MOI and is fast becoming the most respected directorate within the MOI.

Foreign/Political/Militia Influence

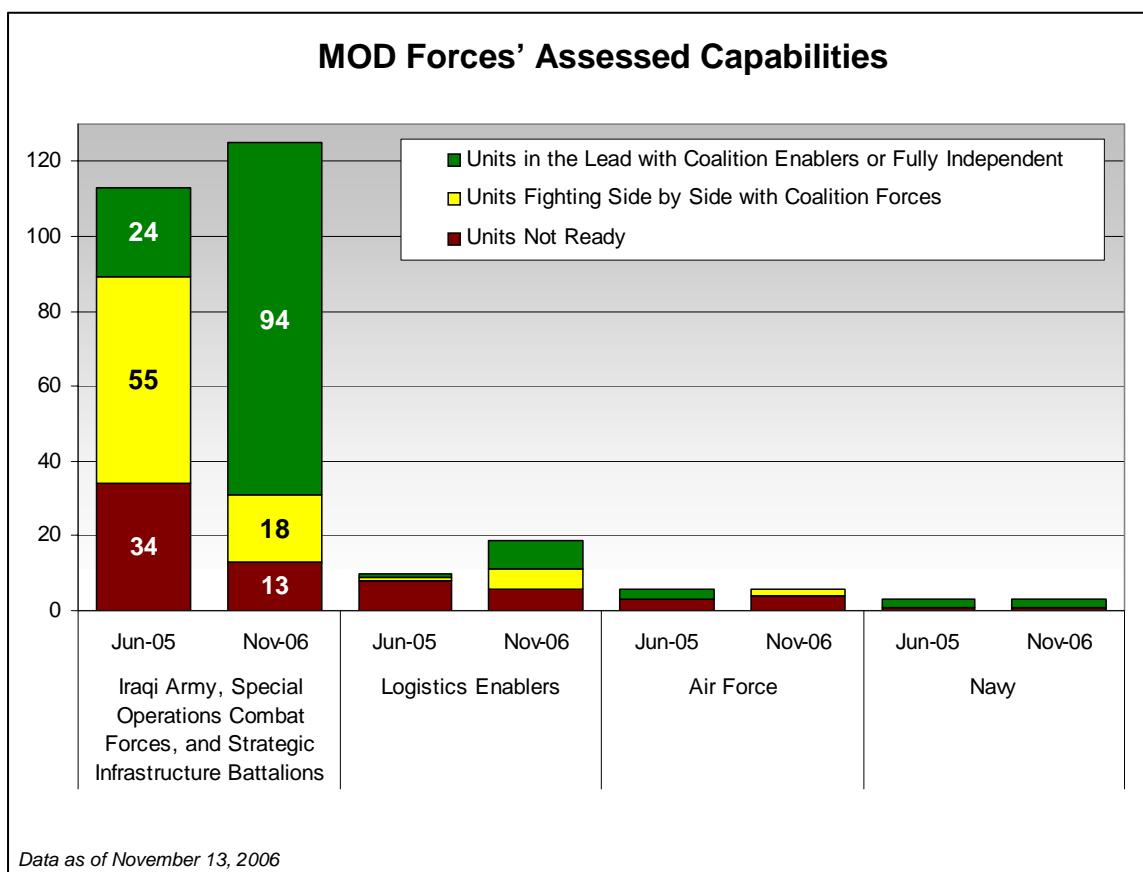
Corruption, illegal activity, and sectarian influence have constrained progress in developing MOI forces. Although the primary concern of the Government of Iraq remains the Sunni insurgency, the inappropriate tolerance of and influence exerted by Shi'a militia members within the MOI is also of concern. A lack of effective leadership and policies to stem corruption has enabled criminals and militia supporters to weaken the credibility of the government. Minister of Interior Jawa al-Bolani has demonstrated the resolve to remove corrupt leaders and to institute policies to eliminate corruption.

2.3 Ministry of Defense

The Iraqi MOD forces consist of the Joint Headquarters (JHQ), the Iraqi Ground Forces Command (IGFC), the Iraqi Special Operations Forces (ISOF), the Army, the Air Force, and the Navy (including Marines). The Objective Counter-Insurgency Force has an authorized strength of approximately 137,500 personnel. This force is centered on an Army with nine infantry divisions, one mechanized infantry division, and associated Combat Support/Combat Service Support units. The Air Force consists of six squadrons; the Navy has two squadrons and a Marine battalion. The Iraqi Training and Doctrine Command Headquarters reached initial operating capability in July 2006 and will command and control all Iraqi institutional training facilities. The Iraqi Training and Doctrine Command consists of the Tactical Training Command and the National Defense Univer-

sity. The Tactical Training Command will begin to assume control of the institutional tactical training facilities—six Regional Training Centers and three Iraqi Training Battalions—in 2007. The National Defense University has reached initial operating capability and has started to operate institutions of professional development (e.g., Iraqi Staff Colleges, the National Defense College, and the Strategic Studies Institute).

The total number of trained MOD military personnel is about 134,400 (98% of authorized), of which about 132,000 are Iraqi Army.¹⁹ The number of Iraqi Army personnel who are present for duty at any time, however, may well be less than the authorized strength due to casualties, desertion, and leaves. Since the first Iraqi Army combat unit generated in the post-Saddam era entered into service in November 2003, an estimated 20,000 trained-and-equipped personnel have

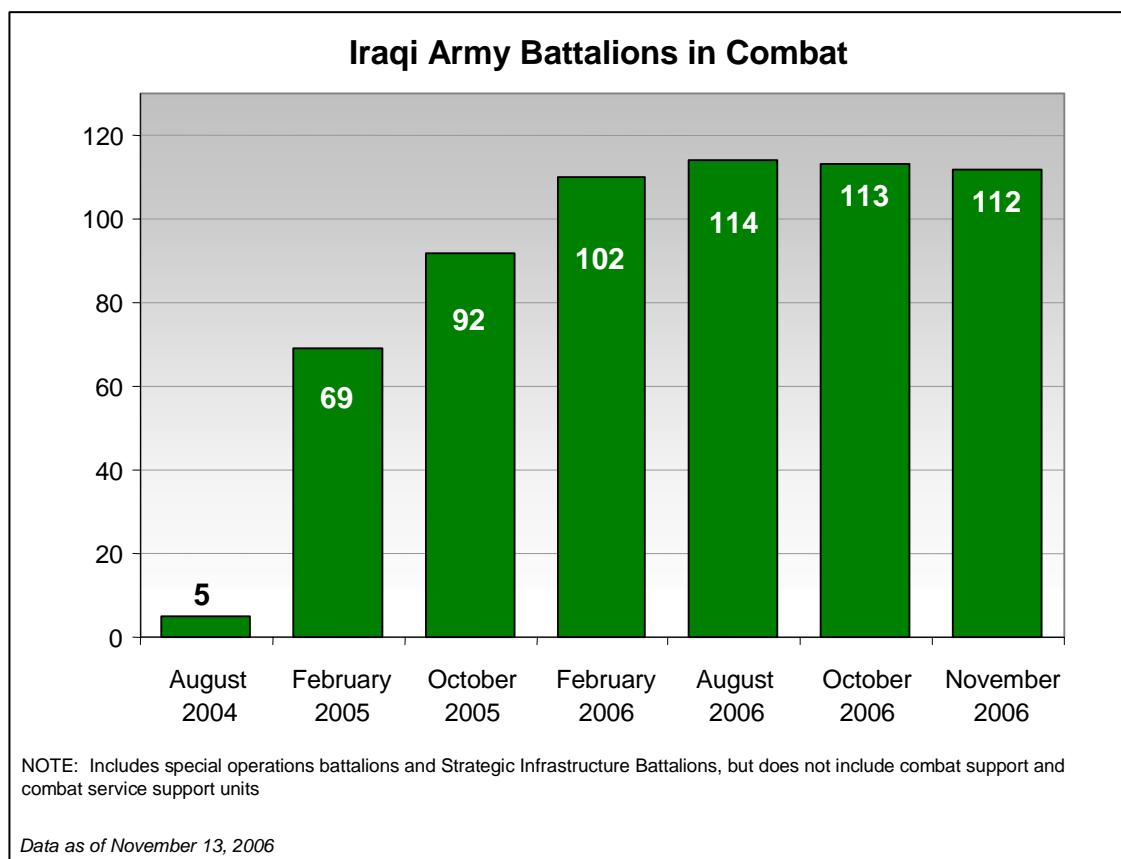


been killed or have otherwise left the Army. The greatest contributor to the difference between authorized strength and present-for-duty strength is a leave policy that places about one-third of all soldiers on leave at any time so that they can take their pay home to their families. This is driven by the lack of a nationwide banking system. The MOD is planning on replacing the forces that have been attrited and on expanding the overall force structure with a 30,000-person Manpower Initiative, organized and implemented by the Iraqi JHQ. This initiative will add approximately 10,000 soldiers every two months over six months; MOD has completed recruiting for this initiative, and the first training sessions began on October 1, 2006.

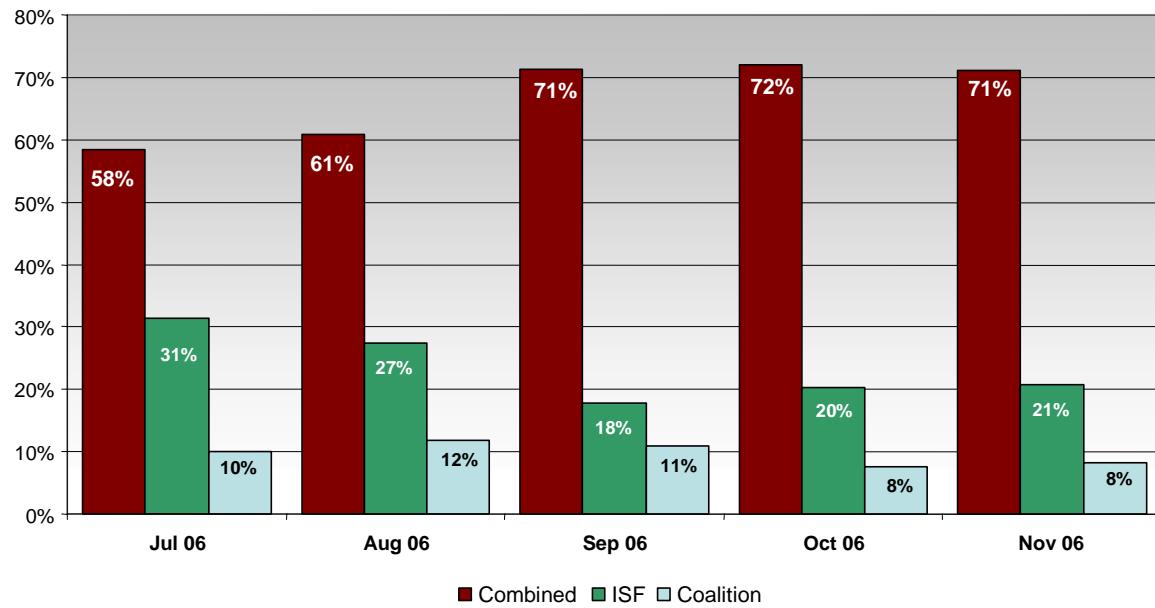
2.3.1 Army

The current force generation plan will train and equip a total of approximately 125,000

soldiers and officers in 36 brigades and 112 battalions. Nine Motorized Transportation Regiments, 5 logistics battalions, 2 support battalions, 5 Regional Support Units, and 80 Garrison Support Units provide logistics and support for divisions, with Taji National Depot providing depot-level maintenance and re-supply. Headquarters and Service Companies provide logistical and maintenance support for each battalion, brigade, and division. The Army will also include 4 Strategic Infrastructure Brigades, 17 Strategic Infrastructure Battalions, and a Special Operations Forces Brigade. Efforts to improve the capability of these units are led by Military Transition Teams, with U.S. and other Coalition officers and soldiers embedded in each battalion, brigade, and division headquarters; at IGFC headquarters; and at the JHQ.



Combat Operations (Company level and above*)



* Includes MOD and National Police units; data includes only those independent ISF operations that are reported to the Coalition

Source: MNF-I data as of November 13, 2006

The Prime Minister has announced an Iraq-funded US\$800 million initiative to expand the Iraqi Army by 3 division headquarters, 5 brigade headquarters, 20 battalions, and 1 Special Forces Battalion. This initiative is expected to take one year to complete and demonstrates the willingness of the Government of Iraq to invest in its security forces.

Since the August 2006 report, the JHQ assumed command of the IGFC, which has, in turn, assumed operational control of two divisions from MNC-I. By the end of the year, the IGFC will control 3 of the 10 Iraqi divisions, with the remaining divisions transferring to Iraqi control by June 2007. Embedded Coalition advisors continue to assist in the development of JHQ and IGFC capabilities.

Force generation of Iraqi Army units is increasingly focused on combat enablers and logistics. Three Iraqi Training Battalions are formed and fully operational. These battalions allow the Iraqis to train soldiers independently in sufficient quantities for force generation and replacement needs. New recruits attend a 13-week program of basic instruction. Upon graduation, soldiers receive additional training specific to their military occupation. Depending on their military occupational skill assignment, the length of training ranges from three to seven weeks. Other training institutions, such as the Military Intelligence School, the Signal School, the Bomb Disposal School, the Combat Arms School, the Engineer School, and the Military Police School, contribute to the growing professionalism of the Iraqi Army by teaching diverse specialties necessary to execute counter-insurgency operations.

Seven of the nine planned Motorized Transportation Regiments are operational and under direct control of their respective Iraqi Army divisions. Although lack of trained maintenance personnel and equipment has delayed full capability, the Motorized Transportation Regiments provide mobility and sustainment for Iraqi forces. The final Motorized Transportation Regiment finished training in late October.

Approximately 90% of the planned Headquarters and Service Companies have been formed and are at some level of operational capability. The remaining Headquarters and Service Companies are scheduled for completion by December 2006.

The Iraqi Armed Service and Supply Institute at Taji continues to play a critical role in training officers and non-commissioned officers (NCOs) to fill support and combat service support positions in the Iraqi Army. The institute has trained more than 7,500 officers and NCOs who serve as leaders in the Motorized Transportation Regiments, Regional Support Units, and Headquarters and Service Companies.

2.3.2 Iraqi National Counter-Terror Capability

A recent development in the security of Iraq is the establishment of an Iraqi National Counter-Terrorism Capability. The national counter-terrorism capability concept, approved by the Prime Minister on October 10, 2006, will provide the Government of Iraq with a dedicated counter-terrorism capability. This initiative consists of three complementary components.

- **Development of a national Counter-Terrorism Bureau**, separate from the ministries, that serves as the principal advisor to the Prime Minister on counter-terrorism matters

- **Establishment of a coherent, non-sectarian, counter-terrorism “tiering” strategy** that determines the level of the terrorist threat, assigns appropriate responsibility for action, and defines approval authority for execution
- **Establishment of a separate major command**, equivalent to the ground, air, and naval forces commands, that provides support to the Bureau of Directorate of Counter-Terrorism in intelligence and targeting areas

2.3.3 Special Operations Forces

The ISOF Brigade is the operational component of the Iraqi Counter-Terrorism Command and is composed of approximately 1,500 soldiers organized into a counter-terrorism battalion, a commando battalion, a support battalion, and a special reconnaissance unit. A key component in developing an Iraqi counter-terrorism capability is the expansion of the ISOF Brigade. This will be accomplished with the development of an additional commando battalion that will be structured to provide forward-based commando companies, with the option to grow to battalions, in Basrah, Mosul, Al Asa, and Diwaniyah to extend the reach of the Iraqi Counter-Terrorism Command.

2.3.4 Navy

The Iraqi Navy has approximately 1,100 trained-and-equipped sailors and marines organized into an operational headquarters, 2 afloat squadrons, and 5 Marine companies. It will grow to 2,500 personnel as the acquisition program progresses. The Navy Plan is based on the procurement of 21 naval vessels and a number of minor craft consisting of 2 offshore patrol vessels, 4 patrol ships, and 15 patrol boats. A contract for the purchase of the off-shore vehicles and first three patrol boats is imminent, with an anticipated in-service date of February to December 2008.

The Iraqi Navy Training Department continued to develop unit-level refresher training and naval skills improvements, including basic seamanship and maritime security operations. Its training efforts include mentorship conducted by the Naval Transition Team and active skills training conducted by Coalition Navy, Marine, and Coast Guard forces. Skill atrophy is a significant problem, especially in technical areas. The Iraqi Navy has increased momentum in its engagement with Coalition and third-nation naval academies and plans to send 13 officer cadets overseas next year for basic training. Overall, the Iraqi Navy faces significant challenges in meeting the individual and collective training needs for its ambitious acquisition program.

The Iraqi Navy has competent senior leaders, but lacks competent mid-grade officers. The Chief of the Iraqi Navy has a plan to improve the Navy's leadership and understands that leadership development is a long-term endeavor. Naval planning is immature, but the Navy Plan is relatively coherent across acquisition, training, and infrastructure lines of development out to 2010. Infrastructure will remain the main effort over the coming 12–14 months.

2.3.5 Air Force

The Iraqi Air Force is making measurable progress toward supporting the counter-insurgency mission. There are currently about 900 personnel in the Iraqi Air Force. Development plans call for a concentrated recruitment effort over the next 12 months, with an interim goal of 2,900 airmen by the end of 2007.

Intelligence Surveillance and Reconnaissance aircraft are currently located at Kirkuk Air Base (Iraqi Air Force 2 Squadron with four SAMA CH-2000s) and Basrah Air Base (Iraqi Air Force 70 Squadron with four SAMA CH-2000s and two Sea Bird Seeker

SB7L-360s). Each unit performs daily operational missions, gathering actionable intelligence for Coalition and Iraqi forces. Both Intelligence Surveillance and Reconnaissance squadrons have conducted a rotational deployment to New Al Muthanna Air Base, flying daily reconnaissance missions for Iraqi and Coalition ground forces operations. The intelligence gathered during daily flights has provided timely evidence of perimeter security breaches and infiltration by insurgent forces. Previous airworthiness issues with the Comp Air 7SL aircraft assigned to Kirkuk were resolved with the permanent grounding of the fleet by the Commander of the Iraqi Air Force. Through the U.S. Air Force, MNSTC-I is developing program requirements for a US\$27 million procurement case that will be executed through the Foreign Military Sales program to procure an Interim Intelligence Surveillance and Reconnaissance platform based on the Cessna Caravan aircraft, with the first of three planned for spring 2007 delivery as a stopgap measure until the Iraqi Air Force Intelligence Surveillance and Reconnaissance aircraft can be fielded.

Helicopter operations from Taji Air Base in central Iraq are progressing, with the imminent delivery of the first 10 of 28 Mi-17 helicopters to the Iraqi Air Force 4 Squadron. The Iraqi Air Force 2 Squadron is expected to receive the first 4 of 16 Huey IIs by the end of January 2007 and the remainder before April 2007. Initially, the 2 Squadron will be used primarily for casualty evacuation and is expected to reach initial operational capability by the third quarter of FY07. The Iraqi Air Force 12 Squadron continues to conduct flight training with five Bell Jet Ranger aircraft.

The 23 Squadron at New Al Muthanna Air Base has three C-130E aircraft rounding out the current Iraqi Air Force fleet. This unit

reached a significant milestone toward independent operations, with daily routine maintenance now being performed entirely by Iraqi Air Force technicians and most missions being manned completely by Iraqi crews. Previous complications resulting in low mission capable rates have been solved, and fleet-wide readiness achieved 72% in September 2006. The Iraqi Air Force intends to request an additional three Excess Defense Article C-130s from the U.S. Government to bring the squadron size to six. These additional aircraft reflect the Coalition Air Force Transition Team's force generation plan, and efforts are under way to identify additional aircraft to meet this request.

The MOD has submitted two Letters of Request to the U.S. Defense Security Cooperation Agency to procure equipment for the Iraqi Air Force using host-nation-funded Foreign Military Sales cases. Congress has been notified of these cases. One case is for eight advanced Intelligence Surveillance and Reconnaissance aircraft costing approximately US\$140 million with delivery expected in spring of 2008. The other is for advanced air traffic control radar to be located in Kirkuk for an estimated US\$28 million; this procurement will reduce Iraq's reliance on U.S. and Coalition air traffic control services.

The MOD is also procuring 12 Brazilian CASA 212-400 light transport aircraft through a direct commercial contract. The MOD conducted a competitive source selection process in arriving at this decision. This procurement shows that the MOD has made substantial progress in improving its acquisition expertise as it continues to recover from the corruption scandals that plagued MOD procurements in late 2004 and early 2005.

2.3.6 Assessing MOD Capability

Embedded transition teams continue to provide monthly Transition Readiness Assessments. The assessments measure personnel manning, command and control, training, sustainment, logistics, equipping, and leadership of their partnered Iraqi units. These categories are assessed using both quantitative and qualitative metrics. Overall, the MOD is assessed as being partly effective at managing these functions.

Planning and Coordination

The MOD and the JHQ are developing processes to reduce the reliance on MNF-I to direct, support, and sustain MOD forces. The transition of two Iraqi Army divisions and the IGFC to MOD control marks the first time since the removal of the former regime that any Iraqi Army combat forces are under complete Iraqi command and control.

The transition also means that the MOD, through the JHQ, has assumed responsibility for support and sustainment planning for these divisions as well as for forces transferring to JHQ command and control in the future. The JHQ planning and coordination processes are immature and are currently hampered by bureaucracy, lack of trust and understanding, lack of experience with strategic planning, and dependence on Coalition support and funding.

Equipment Status

The focus of the Iraqi Army's train-and-equip effort shifted during this reporting period toward building combat support and combat service support forces.

Equipping the Iraqi armed forces is on track to issue more than 90% of key authorized items by the end of 2006. MNSTC-I is currently working with the MOD to transfer maintenance capabilities to the Iraqi Army. The MOD will fund a contract through a Foreign Military Sales sustainment case

planned to start on April 1, 2007. This contract will be monitored by a joint Iraqi/Coalition forces board that will determine when the transition requirements have been met. The MOD agreed, in principle, to fund the National Maintenance Contract from January through March 2008 through a Foreign Military Sales case. Total cost of the maintenance support contracts to be assumed by the MOD is estimated to be US\$160 million.

Training

The institutional training base provided by MNSTC-I accounts for basic and military occupational specialty training for soldiers, squad leader and platoon sergeant courses for NCOs, and initial-entry cadet and staff officer training for the officer corps. As these personnel move to their units, embedded transition teams and partner units directed by MNC-I oversee and mentor collective training in counter-insurgency-oriented mission essential tasks. A unit's ability to demonstrate proficiency in these mission-essential tasks contributes to its overall Transition Readiness Assessment, which is validated prior to the unit assuming Iraqi Army lead. Although nearly all Iraqi Army units demonstrate a high level of training proficiency, the ability to sustain this training is problematic, given the high operational tempo faced by many units in the fight. This is particularly true in the area of logistics specialty training. This will be mitigated as more personnel are assigned to units to allow both daily operations and focused training at the small unit level.

MOD Capacity Development

The Minister of Defense has had some success in stabilizing the MOD, which suffered through a string of assassinations, widespread intimidation and death threats against employees, and a major corruption scandal in the year following its establishment in March 2004. The current minister is now established

in his role and accepts that his post is long term, enabling him to shape and energize the MOD. He recognizes the importance of forging a close partnership with the Coalition and is emphasizing joint initiatives, such as force replenishment (mentioned earlier) and improvement of force deployability. Procurement to meet force modernization goals is accelerating, supported by an increasingly robust internal system to determine priorities. The recent appointment of a full-time Secretary General is already enhancing MOD cohesion.

However, competence levels in certain parts of the MOD remain low. The Coalition's MOD Transition Team is providing mentoring support to all senior MOD officials in developing their capacity to manage key ministerial functions, such as personnel management, budgeting, logistics, intelligence and security, acquisitions and contracting, plans and policies, communications, and inspections and investigations. The current MOD team consists of just under 50 advisors, most of whom are MPRI employees. In addition, there are about 6 U.S. military personnel advising MOD civilians and 12 civilian advisors from other Coalition countries. There are no U.S. Government civilian advisors at the MOD. A similarly scaled effort occurs at the JHQ, with U.S. military personnel comprising about half of the advisors and the rest roughly split between U.S. civilian contractors and personnel from other Coalition countries. These advisory efforts are vital to maintaining the momentum that the minister has generated to support the ministry as it strives to meet new and increasingly ambitious challenges.

2.3.7 Obstacles to Progress

The major challenges impeding Iraqi Army units from conducting operations without Coalition support can be broken into four primary categories. Most of these challenges

are interrelated with numerous other issues, making it necessary to fix them simultaneously to ensure progress.

- **Personnel Shortages** – Marginal overall manning exacerbated by a liberal leave policy, lack of officers and NCOs, no existing Military Occupational Specialty tracking system, and personnel assignment mismanagement. Several of the new initiatives mitigate these shortfalls.
- **Inadequate Logistics Infrastructure** – Shortcomings in fuel supply and distribution; lack of repair parts, tools, and capability to conduct all lines of maintenance; poor and inconsistent life support; and shortage of medical specialty personnel.
- **Equipment Shortages** – Existing shortages in vehicles, weapons, and essential equipment readiness items, such as tools and medic bags; no capability to replace battle-damaged equipment; and equipment accountability.
- **Enablers** – Limited Iraqi Army capability to mitigate the loss of Coalition-provided fire support and dedicated medical evacuation assets.

Absenteeism

Across the Iraqi Army, absent-without-leave (AWOL) numbers, as reported by Iraqi Army divisions, have declined in each of the last four months, from a June 2006 high of 2,534 soldiers to a September 2006 low of 1,522. For divisions facing sustained combat operations within their normal operational area, the Iraqi Army reports AWOL rates of 5%–8%. These rates have risen to more than 50% when units were directed to deploy to areas of combat outside of their normal areas of operations.

The Iraqis take this issue seriously and, with the help of Coalition advisors, are attempting to instill a more deployable mindset within the Iraqi military forces. However, there is

currently no military judicial system within the Iraqi Army, and Iraqi Army commanders do not have the legal leverage to compel their soldiers to combat.

Deployability

As a result of the recently demonstrated inability of the Iraqi Army to deploy units to Baghdad in support of operations, the Minister of Defense formed a committee to determine how to improve the deployability of the Iraqi Army. The recommendation of the committee was to identify a battalion from each Iraqi Army Division (except those in the Baghdad and Anbar/Ramadi areas) to serve as the rapid deployment force for that division. The battalion and its commander will be hand-picked by the MOD committee, and the unit will receive priority on equipment and training. The battalion will be filled to 100% of authorized strength, and the soldiers will receive “deployment” incentive pay as a reward for volunteering to serve in this elite battalion. To increase the predictability of deployments for soldiers, the committee also recommended a four-phase, 180-day deployment cycle that all units will complete prior to movement from their home base. This Iraqi solution to the deployability problem serves as an example of an Iraq that is increasingly shouldering the responsibility of a sovereign nation.

Sectarian Issues in Recruitment

The Coalition and the Government of Iraq are committed to creating an Iraqi military that reflects the ethnic and religious fabric of Iraq, with diverse units loyal to the nation, not sectarian interests. Although competence and merit are the deciding factors when selecting recruits and leaders, ISF units generally mirror the demographic make-up of Iraq. The even-numbered divisions were created from former Iraqi National Guard battalions and tend to resemble the demographics of communities from which they were recruited. The

odd-numbered divisions were nationally recruited and represent the national fabric. The Minister of Defense, through an Officer Selection Committee, has used normal transitions to diversify the senior leadership in the Iraqi Army. There are, however, indications that political forces in Iraq have

influenced senior military appointments on the basis of sectarian affiliation. MNF-I and our Embassy in Baghdad are working closely with the Government of Iraq to encourage balanced representation in the senior ranks of the Iraqi military to discourage sectarian influence.

¹ The information in this report has been made available with the assistance of many departments and agencies of the U.S. Government, the U.S. Embassy in Iraq, and the Government of Iraq.

² For this report, attack numbers compare figures from August 12, 2006 through November 10, 2006 to those from May 20, 2006 through August 11, 2006.

³ U.S. Department of State, Office of Research, October and July 2006. Q: "How confident are you in the new government of Iraq to improve the situation in Iraq?" Margin of error: $\pm 4\%$ for the overall sample, but varies among regions.

Sample sizes for October 2006:

Baghdad	1,834	Kurdish Area	464	Mosul Area	588
Kirkuk Area	144	Tikrit/Baqubah Area	155	Mid-Euphrates	673
South	675				

Sample sizes for July 2006:

Baghdad	173	Kurdish Areas	308	Mosul Area	111
Kirkuk Area	108	Tikrit/Baqubah Area	210	Mid-Euphrates	523
South	437				

⁴ The UN World Food Program's 2005 estimate was 13.4%. As of July 2006, the Government of Iraq's Central Organization for Statistics and Information Technology (COSIT) estimated that unemployment was 18% and that underemployment was 34%. The COSIT estimates are consistent with a 2005 United States Agency for International Development survey.

⁵ "Gray market" refers to trade of legal goods in an illegal manner, as opposed to "black market," which refers to trade of illegal goods.

⁶ Special Inspector General Iraq Reconstruction (SIGIR) report, April 30, 2006, <http://www.sigir.mil>. Statement modified to reflect October 1, 2006, data provided by Iraqi Reconstruction Management Office.

⁷ The UN World Food Program estimated that 15.4% of the surveyed population in Iraq lacked adequate food. About 26% of Iraqi children examined were stunted, severely or moderately, in their physical growth—a symptom of chronic malnutrition. The lowest rate observed (14.2%) was in Sulamaniyah Province, while the highest (36.5%) was in Salah ad Din Province.

⁸ U.S. Department of State, Office of Research, October 2006. See Section 1.3.6. Q: "How concerned are you that civil war may break out in Iraq?" See endnote #3 for margin of error and sample size information.

⁹ The Sadr faction suspended its participation in the government and CoR at the end of November 2006, but, as of this writing, it is not clear if this is a lasting or temporary move.

¹⁰ MNC-I Nationwide Poll. Margin of error: $\pm 1\%$. Sample size: ~8,000. Q: "Over the past three months, would you say that conditions for creating peace and stability in Iraq have improved, worsened, or stayed the same?" 62% said "worsened," 27% said "stayed the same," and 8% said "improved."

¹¹ U.S. Department of State, Office of Research, October 2006. Q: "How safe do you feel in your neighborhood?" Margin of error: $\pm 4\%$ for the overall sample, but varies among regions. See endnote #3 for margin of error and sample size information.

¹² *Measuring Stability and Security in Iraq*, February 2006, Report to Congress in Accordance with the Department of Defense Appropriations Act 2006 (Section 9010), p. 31.

¹³ MNC-I Nationwide Poll, October 2006. Margin of error: $\sim \pm 1\%$. Sample size: ~8,000. Q: "In general, do you have confidence in the ability of the Iraqi government to protect you and your family from threat?"

¹⁴ MNC-I Nationwide Poll, October 2006. Margin of error: ~±1%. Sample size: ~8,000. Q: “For each type of soldier, can you tell me whether you agree or disagree: Iraqi Army/Iraqi Police: Are Corrupt.” 26.5%/27.3% said “agree,” respectively.

¹⁵ MNC-I Nationwide Poll, October 2006. Margin of error: ~±1%. Sample size: ~8,000. Q: “For each type of soldier, can you tell me whether you agree or disagree: Iraqi Army/Iraqi Police: Are influenced by sectarian interests.” 24.8%/25.0% said, “agree,” respectively.

¹⁶ MNC-I Nationwide Poll, October 2006. Margin of error: ~±1%. Sample size: ~8,000. Q: “How much confidence do you have in the following to improve the situation? Iraqi Army/Iraqi Police.” 62.5%/67.1% said, “some” or “a great deal of” confidence, respectively.

¹⁷ Muthanna Province was transferred to PIC in July 2006.

¹⁸ Some of these challenges are detailed in Special Inspector General for Iraq Reconstruction Report 06-032, “Iraq Security Forces: Review of Plans to Implement Logistics Capabilities,” October 28, 2006.

¹⁹ This is based on a total authorization support personnel of 14,673. Special Inspector General for Iraq Reconstruction report SIGIR-06-032, Iraqi Security Forces: Review of Plans to Implement Logistics Capabilities notes that, “ . . . we calculated that between 37,800 and 44,500 personnel will be required for the total number of logistics units required by the Concept to support the Iraqi Army after reviewing a draft of this report, MNSTC-I officials provided information documenting that, as of September 30, 2006, a total of 42,900 ‘support forces’ have been trained since 2004. This total includes not only logistics personnel but also military police and communications and administrative personnel.”